



**REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES**

**Drafted pursuant to art. 123-*bis* of Legislative Decree no. 58/1998 as amended (Consolidated Law on Finance)**

Issuer: **FNM S.p.A.**

Website: [www.fnmgroup.it](http://www.fnmgroup.it)

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FNM S.p.A. - REGISTERED OFFICE IN MILAN, PIAZZALE CADORNA, 14 - SHARE CAPITAL EUR 230,000,000.00 FULLY PAID-UP - REGISTERED IN THE COMPANIES REGISTER - TAX CODE AND VAT NO. 00776140154 - C.C.I.AA. (CHAMBER OF COMMERCE, INDUSTRY, CRAFT AND AGRICULTURE) OF MILAN - REA (economic and administrative index) 28331

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## GLOSSARY

In addition to the terms defined in the text of this Report (as defined below), the capitalised terms listed below shall have the meanings assigned to them below:

“**Appointed Director**”: the Director responsible for establishing and maintaining an effective Internal Control and Risk Management System.

“**Shareholders’ Meeting**”: the Shareholders’ Meeting of FNM (as defined below).

“**Borsa Italiana**”: Borsa Italiana S.p.A.

“**Code**” or “**CG Code**”: the Corporate Governance Code for Listed Companies approved in January 2020 by the Corporate Governance Committee.

“**Code of Ethics and Conduct**”: means the Code of Ethics and Conduct of the FNM Group adopted by the Board of Directors of FNM by resolution of 27 September 2016, subsequently amended by resolution of 11 March 2019.

“**Civil Code**” or “**c.c.**”: the Italian Civil Code.

“**Board of Statutory Auditors**”: the Board of Statutory Auditors of FNM.

“**Board of Directors**” or “**BoD**” or “**Board**”: the Board of Directors of FNM.

“**Committee/CG Committee/Corporate Governance Committee**”: the Italian Corporate Governance Committee of listed companies, promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

“**Control, Risks and Related Party Transactions Committee**” the control, risks and related party transactions committee of FNM, consisting only of non-executive, unrelated and independent Directors, which (i) has the task of supporting the assessments and decisions of the Board of Directors relating to the internal control and risk management system and the approval of periodic financial and non-financial reports (in the latter capacity also “**Control and Risks Committee**”) and (ii) is also responsible for transactions with related parties pursuant to the RPT Procedure (in the latter capacity also the “**RPT Committee**”).

“**Compliance Officer**” the Director of Corporate, Legal and Regulatory Affairs of FNM designated on 5 December 2017 as the Compliance Officer by the Board of Directors of FNM.

“**Framework Resolution**”: the resolution of the FNM Board passed on 13 May 2021 regarding adherence to the CG Code.

“**Executive in charge**”: the executive in charge of financial reporting pursuant to art. 154-*bis* of the Consolidated Law on Finance (as defined below).

“**Key Management Personnel**”: those who have the power and responsibility - directly or indirectly - for planning, managing and controlling the activities of the Company and the group it heads, in accordance with the definition pursuant to the RPT Regulation (as defined below) and also taking into account the definition of top management contained in the Code, as well as the “top” managers.

“**Legislative Decree 231/2001**”: Legislative Decree no. 231 of 8 June 2001 “*Regulations governing the administrative liability of legal entities, companies and associations, including those without legal personality, pursuant to article*”

*11 of Law no. 300 of 29 September 2000*”, as amended.

“**NFS**”: the consolidated non-financial statement in compliance with the reporting obligation pursuant to Legislative Decree 254/2016.

“**Issuer**” or “**FNM**” or “**Company**”: FNM S.p.A., with registered office at Piazzale Cadorna, 14, Milan, share capital EUR 230,000,000.00 (two hundred and thirty million/00) fully paid-up, Milan/Monza Brianza/Lodi Register of Companies, tax code and VAT number 00776140154, listed on the MTA market organised and managed by Borsa Italiana.

“**Financial Year**”: the fiscal year ended 31 December 2021 to which this Report relates.

“**ESG**”: the environmental, social and corporate governance principles.

“**FERROVIENORD**”: FERROVIENORD S.p.A., with registered office at Piazzale Cadorna 14, Milan, share capital of EUR 5,250,000.00 (five million two hundred and fifty thousand/00), fully paid-up, Milan/Monza Brianza/Lodi Register of Companies, tax code and VAT number 06757900151, wholly owned by and subject to the management and coordination power of FNM, holder of the concession for the construction, operation and management of the regional railway network.

“**FNM Group**” or “**Group**”: collectively, the Issuer and the companies that it directly or indirectly controls, jointly controls or in which it holds an interest.

“**La Linea**”: La Linea S.p.A., with registered office at Via della Fisica 30, Marghera (VE), share capital of EUR 3,160,000.00 (three million one hundred sixty thousand/00), fully paid-up, Venice-Rovigo Register of Companies, tax code and VAT number 03204450278, 51% (fifty-one percent) owned by FNM.

“**Law 160/2019**”: law no. 160 of 27 December 2019.

“**Guidelines for the Internal Control and Risk Management System**”: the guidelines for FNM’s internal control and risk management system, adopted on 17 April 2014, amended by the Board on 30 June 2016 and 31 July 2019, and most recently updated by resolution of the Board of Directors on 30 July 2021, subject to the favourable opinion of the Control and Risks Committee, which constitute the set of rules, procedures and organisational structures aimed at enabling the identification, measurement, management and monitoring of the main risks to which the Company and its subsidiaries are exposed.

“**2021-2025 Strategic Plan Guidelines**”: the guidelines of the FNM Group’s 2021-2025 Strategic Plan, approved by the Issuer’s Board of Directors on 25 November 2020.

“**MISE**”: Milano Serravalle - Milano Tangenziali S.p.A., with registered office at Via Del Bosco Rinnovato 4/A, Assago (MI), share capital EUR 93,600,000.00 (ninety-three million six hundred thousand/00), Milan/Monza Brianza/Lodi Register of Companies, tax code and VAT no. 00772070157, 96% owned by FNM as of 26 February 2021.

“**Model 231**”: the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001.

“**Supervisory Body**” or “**SB**”: FNM’s supervisory body.

“**2021-2025 Strategic Plan**”: the strategic plan for the 2021-2025 period of FNM and the Group approved by the Board of Directors of FNM on 16 September 2021, which incorporates sustainability objectives.

“**Remuneration Policy**” or “**Policy**”: the remuneration policy of FNM and the relative Group approved by the Board of Directors of FNM on 9 March 2022 - at the proposal of the Remuneration Committee at

the meeting held on 7 March 2022 - as described in Section I of the Remuneration Report that will be submitted to the binding vote of the Shareholders' Meeting on 26 April 2022.

**“RPT Procedure”**: the procedure for governing FNM's related party transactions, approved by the Board at its meeting on 29 November 2010, most recently amended on 17 June 2021.

**“Issuers' Regulation”**: the Regulation issued by Consob with resolution no. 11971 of 1999 concerning the rules for issuers as amended.

**“Market Regulation”**: the Regulation issued by Consob with resolution no. 20249 of 2017 concerning the rules for markets, as amended.

**“RPT Regulation”**: the Regulation issued by Consob by means of Resolution no. 17221 of 2010 containing provisions relating to transactions with related parties, as amended.

**“EU Regulation 537/2014”**: Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

**“EU Regulation 596/2014”**: Regulation (EU) no. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation), repealing Directive 2003/6/EC of the European Parliament and of the Council and Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

**“Report”**: the report on corporate governance and ownership structures that the Company is required to prepare pursuant to art. 123-*bis* of the Consolidated Law on Finance and in compliance with the Code.

**“Remuneration Report”**: the report on the remuneration policy and compensation paid, as set forth in art. 123-*ter* of the Consolidated Law on Finance and art. 84-*quater* of the Issuers' Regulation.

**“Articles of Association”**: the current articles of association of the Company.

**“Sustainable Success”**: means the objective of creating value in the medium to long term for the benefit of shareholders, taking into account the interests of other stakeholders relevant to the Company and its Group.

**“Consolidated Law on Finance”** or **“TUF”**: Legislative Decree no. 58 of 24 February 1998.

**“Trenord”**: Trenord S.r.l. with registered office at Piazzale Cadorna 14, Milan, share capital EUR 76,120,000 (seventy-six million, one hundred and twenty thousand/00), fully paid-up, Milan/Monza Brianza/Lodi Register of Companies, tax code and VAT number 06705490966, held jointly by the Company and Trenitalia S.p.A., which operates regional public railway transport services under a service agreement with the Lombardy Region.

In addition, unless otherwise noted, the definitions contained in the CG Code are deemed referenced herein.

## 1. PROFILE OF THE ISSUER

The FNM Group is the leading integrated sustainable mobility Group in Lombardy. It is the first organisation in Italy to combine railway infrastructure management with road transport and motorway infrastructure management in order to offer an innovative model for managing mobility supply and demand that optimises flows and is environmentally and economically sustainable.

The Company's corporate governance is structured according to the traditional Italian management and control model (the "Latin" model), which calls for the presence of a Board of Directors, appointed by the Shareholders' Meeting, which is responsible for strategic management of the Company and the allocation of monitoring duties to the Board of Statutory Auditors. The statutory audit is entrusted to independent auditors, appointed by the Shareholders' Meeting.

**A) Shareholders' Meeting:** the powers, role and functioning of the Shareholders' Meeting are determined by law and the Articles of Association, referenced in full herein.

**B) Board of Directors:** the company is managed by a Board of Directors consisting of a minimum of 3 and a maximum of 9 Directors, in compliance with gender balance pursuant to art. 147-ter, paragraph 1-ter of the Consolidated Law on Finance. The Board is vested with the most extensive powers for the ordinary and extraordinary management of the Company, without any exception whatsoever, and it has the power to carry out any action it deems appropriate for the implementation and achievement of the corporate purpose, with the sole exception of those acts that the law strictly places under the responsibility of the Shareholders' Meeting. Without prejudice to limits established by law, the Board of Directors is also responsible for resolutions concerning: the establishment or closure of secondary offices; the transfer of the registered office within the national territory; the reduction of the share capital in the case of shareholder withdrawal; amendments to the Articles of Association in order to comply with legal provisions; the indication of which Directors are entitled to represent the Company. The above-mentioned provision does not exclude that such resolutions may in any event be passed by the Extraordinary Shareholders' Meeting, if the Board of Directors deems this appropriate.

**C) Committees:** the following Committees have been formed: (i) the Control, Risks and Related Party Transactions Committee; (ii) the Social Responsibility and Ethics Committee; (iii) the Remuneration Committee; and (iv) the Committee for the Designation of the Corporate Bodies of the FNM Group Companies.

**D) Board of Statutory Auditors:** consisting of 3 standing members and 2 alternates, it is the Company's management control body. The composition of the Board of Statutory Auditors must in any case ensure a balance between genders in compliance with the law and regulations in force at the time. The Board of Statutory Auditors is responsible for ensuring that the Company complies with the law and the Articles of Association, complies with the principles of proper administration and adequately instructs its internal departments and subsidiaries. The Board of Statutory Auditors must also supervise the adequacy of the Company's organisational structure, for the aspects under its responsibility, the internal control and risk management system and the administrative-accounting system, as well as the reliability of the latter to



correctly represent operating events, carrying out the necessary checks to this end.

In accordance with art. 19 in force of Legislative Decree no. 39 of 27 January 2010, finally, the Board of Statutory Auditors (i) informs the Board of the outcome of the legal audit and sends it the additional report as set out in art. 11 of EU Regulation 537/2014, accompanied by any observations; (ii) monitors the financial reporting process and submits recommendations or proposals aimed at ensuring its integrity; (iii) monitors the effectiveness of the company's internal quality control and risk management systems and, if applicable, internal audit with regard to financial reporting, without violating their independence; (iv) monitors the legal audit of the financial statements and - if applicable - the consolidated financial statements, also taking into account any results and conclusions of the quality controls carried out by Consob pursuant to art. 26(6) of EU Regulation 537/2014, where available; (v) verifies and monitors the independence of the statutory auditors or the independent auditors pursuant to articles 10, 10-*bis*, 10-*ter*, 10-*quater* and 17 of Legislative Decree no. 39/2010 and art. 6 of EU Regulation 537/2014, in particular with regard to the adequacy of the provision of non-audit services to the Company, in accordance with art. 5 of such Regulation; (vi) is responsible for the procedure for selecting the independent auditors or the auditing firm and recommends the independent auditors or the auditing firm to be appointed pursuant to art. 16 of EU Regulation 537/2014.

**E) Supervisory Body:** has the duty of overseeing the adequacy and application of the Code of Ethics and Conduct and the Model 231.

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The 2021-2025 Strategic Plan, in confirming the provisions of the 2021-2025 Strategic Plan Guidelines, portrays the FNM Group as an integrated sustainable mobility operator, guided by (i) environmental, social and governance (ESG) sustainability principles in the definition of its business processes and investment portfolio and (ii) the objective of Sustainable Success. The 2021-2025 Strategic Plan contributes to the achievement of 10 of the 17 Sustainable Development Goals of the UN 2030 Agenda.

In this context, the Board of Directors guides the Company by pursuing the objective of Sustainable Success, defining the strategies of the Issuer and the Group in compliance with this objective and ensuring their effective implementation.

Indeed, the integration of ESG criteria has become relevant in the definition of strategic guidelines and business policies as well as in risk management, in order to enable the Group to share specific medium/long-term information with its stakeholders and satisfy financial market disclosure requirements. With this in mind, the FNM Group has strengthened its commitment to corporate social responsibility issues by developing its own sustainability governance system, in line with the new CG Code, and whose main players include, *inter alia*, the Social Responsibility and Ethics Committee, the Control, Risks and Related Party Transactions Committee and the CSR-Sustainability Function.

Furthermore, the Company's Board of Directors is fully aware that experience/knowledge of "green" technologies, as well as having acquired sensitivity and understanding with respect to social responsibility and ESG factors, are fundamental elements of the corporate culture of a group operating in various economic sectors, such as the Group headed by FNM.

For further information on this point, reference should be made to Paragraph 4.1 (*Role of the Board of Directors*).

The Remuneration Policy also contributes to the pursuit of the corporate strategy and is functional to the pursuit and achievement of the objective of Sustainable Success of the Company and the Group. In particular, the Remuneration Policy is aimed at, *inter alia*:

- (i) guaranteeing a transparent remuneration and incentive system that is sufficient to attract, retain and motivate, also with a view to retention, people with the specific skills and professionalism required within the company, favouring management based on the achievement of the priority objective of Sustainable Success;
- (ii) guaranteeing the correct preparation, implementation and possible revision, as well as the effective monitoring, of the remuneration and incentive systems, ensuring that the remuneration systems referred - in particular - to the Executive Directors, the General Manager and the other Key Management Personnel contribute (a) to the pursuit and achievement of the corporate strategy, of the medium/long-term corporate interests and of the objective of Sustainable Success and (b) to prudent risk management, through:
  - 1) the promotion of actions and behaviours in line with the values and culture of the Company and the Group, in compliance with the principles of plurality, equal opportunities, enhancement of people's knowledge and professionalism, fairness, non-discrimination and integrity;
  - 2) the promotion of actions and behaviours aimed at creating and guaranteeing sustainable working conditions and standards;
  - 3) the definition of remuneration and incentive systems linked to the achievement of (a) economic/financial objectives, (b) non-financial objectives (including ESG objectives) and (c) objectives concerning the development of operational and individual activities and responsibilities, defined with a view to pursuing results in the medium/long-term, consistent with the guidelines of the strategic and/or business plans of the Company and the Group as well as the responsibilities assigned;
- (iii) avoiding variable components of remuneration (short and/or medium/long-term) being based on altered or manifestly incorrect results.

For further information on this point, reference should be made to the Section 8 (*Remuneration of Directors*) and the Remuneration Report.

Lastly, the Group is aware that a company's ability to effectively manage business risks contributes to ensuring long-term value for the company. The main purpose of FNM's and the Group's risk assessment and management process is therefore to adopt a systematic approach to the identification of priority risks, the assessment of potential negative effects and taking the appropriate actions to mitigate them. In this context, a fundamental role is played, *inter alia*, by the Control, Risks and Related Party Transactions Committee, the Risk Committee, the Head of the Internal Audit and Risk Management Function and the

Head of the Risk Management and Management Systems Function (see Section 9 (*Internal Control and Risk Management System - Control, Risks and Related Party Transactions Committee*) below).

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The Issuer published the non-financial statement pursuant to Legislative Decree no. 254 of 30 December 2016, as amended, on a mandatory basis. The relevant document (Sustainability Report - NFS 2021) is available on the Issuer's website in the "Governance" Section and at the following link: <https://www.fnmgroupp.it/it/assemblea-degli-azionisti>.

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The Company falls within the definition of "SME" pursuant to art. 1, paragraph 1, letter w-*quater*.1), of the Consolidated Law on Finance and art. 2-*ter* of the Issuers' Regulation. The capitalisation value, referring to the Financial Year, amounts to EUR 267,030,179.97.

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The Company falls within the definition of a concentrated ownership company in accordance with the Code, while it does not qualify as a large company in accordance with the Code.

In light of its qualification as a concentrated ownership company other than a large company, the Issuer (i) has not formed the Appointments Committee referred to in Recommendation 16 of the Code (see Paragraph 7.2 (*Appointments Committee*)) and (ii) has not adopted a plan for the succession of the Chief Executive Officer, Executive Directors and Key Management Personnel as set forth in Recommendation 24 of the CG Code 7.1 (see Paragraph (*Self-Assessment and Succession of Directors*)).

## **2. INFORMATION ON OWNERSHIP STRUCTURES (pursuant to art. 123-*bis*, paragraph 1 of the Consolidated Law on Finance) AS OF 18 MARCH 2022**

Information on the ownership structures as at 18 March 2022, the date of approval of this Report, is provided below, in compliance with the provisions of art. 123-*bis* of the Consolidated Law on Finance currently in force.

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

At the date of approval of this Report, the Issuer's share capital, fully subscribed and paid-in, is EUR 230,000,000.00, broken down into 434,902,568 ordinary shares with no par value.

The categories of shares making up the share capital are shown in Table 1 in the appendix to this Report. As at the date of this Report, there are no share-based incentive plans currently in place, pursuant to art. 114-*bis* of the Consolidated Law on Finance, which entail increases, including free of charge, in the share capital.

There are no financial instruments granting the right to subscribe to newly issued shares.

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

There are no restrictions on the transfer of securities, such as limits on the ownership of securities or the need to obtain the approval of the Issuer or other security holders.

**c) Significant shareholdings (pursuant to art. 123-bis, paragraph 1, letter c), Consolidated Law on Finance)**

According to the entries in the register of shareholders and the notices received by the Company pursuant to the law, shareholders who directly or indirectly hold more than 5% of the voting capital (as the Company qualifies as an SME pursuant to art. 1 paragraph 1, letter *w-quater*.1) of the Consolidated Law on Finance and art. 2-*ter* of the Issuers' Regulation) are shown in Table 1 in the appendix to this Report.

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

No securities granting special rights of control have been issued, nor are there any special powers for certain shareholders or holders of particular classes of shares.

There are no shares with increased or multiple voting rights.

**e) Employee shareholding: mechanism for the exercise of voting rights (pursuant to art. 123-bis, paragraph 1, letter e), Consolidated Law on Finance)**

There is no employee stock ownership system in place.

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

There are no particular provisions in the Articles of Association that impose restrictions on voting rights or limitations on the right to vote, or the separation of the financial rights attached to securities from their ownership.

**g) Shareholder agreements (pursuant to art.123-bis, paragraph 1, letter g), Consolidated Law on Finance)**

As of the date of approval of this Report, FNM has no shareholder agreements pursuant to art. 122 of the Consolidated Law on Finance.

**h) Change of control clauses (pursuant to art. 123-bis, paragraph 1, letter h), Consolidated Law on Finance) and provisions of the Articles of Association concerning takeover bids (pursuant to art. 104, paragraph 1-*ter*, and 104-bis, paragraph 1, Consolidated Law on Finance)**

The significant agreements entered into by the Company or one of its subsidiaries that are subject to change or termination in the event of a change of control of the company party to the contract are summarised below.

On 22 December 2017, FNM entered into a loan agreement with the European Investment Bank (“EIB”) for a maximum amount of EUR 50,000,000.00. This contract establishes an obligation on the part of FNM to promptly inform the EIB if a change of control event occurs or is likely to occur, meaning the situation

in which (i) a subject or group of subjects acquire control of FNM and/or (ii) the Lombardy Region ceases to exercise (directly or indirectly) control over the Company. In brief, the loan agreement in place with the EIB establishes that upon the occurrence of such an event, the EIB may cancel the portion of the loan not yet disbursed and request early repayment of the amounts already granted to FNM.

On 28 September 2021, Central Bank of Ireland approved the Base Prospectus (the “**BP**”) relating to FNM’s Euro Medium Term Note Programme (the “**EMTN Programme**”) of EUR 1,000,000,000.00.

The BP establishes (see clause 6.6 “Redemption at the option of the Noteholders (Investor Put/Relevant Event Put)”) the possible full redemption of the issued notes upon the occurrence of a “change of control”, which shall be deemed to have been carried out if (i) more than 50% of the Issuer’s share capital and (ii) more than 50% of the voting rights that may be exercised at the Shareholders’ Meeting of the Company or (b) the power to appoint the majority of the members of the Board of Directors is acquired and/or assigned to one or more persons (also acting in concert) other than (1) the Lombardy Region or (2) entities or consortia directly or indirectly controlled by the Lombardy Region.

On 13 October 2021 the placement of a non-convertible senior unsecured bond loan for EUR 650,000,000.00, with a duration of 5 years, was completed as part of the EMTN Programme.

With reference to the subsidiary FERROVIENORD, the loan agreement for a maximum of EUR 650,000,000.00 - signed on 31 May 2018 between FERROVIENORD and Cassa Depositi e Prestiti S.p.A. on EIB funding, for the purchase of the rolling stock referred to in the regional mandate granted by Regional Government Decree no. X/6932 of 24 July 2017 and subsequent Regional Government Decree no. X/7643 of 28 December 2017 - establishes that, within 5 days of the occurrence of a change of control over the beneficiary FERROVIENORD, the latter must repay in full all amounts already disbursed.

Pursuant to such loan agreement, a change of control is to be understood as the circumstance in which, after the date on which the aforesaid loan agreement was signed, FNM ceases, either directly or indirectly:

- (i) to be the holder of full ownership of at least 66.67% of FERROVIENORD’s shares with voting rights at the Shareholders’ Meeting (whether ordinary or extraordinary, on first call or on subsequent calls); or
- (ii) to be holder of the right to appoint and/or revoke at least 2/3 of FERROVIENORD’s directors; or
- (iii) to hold control over FERROVIENORD pursuant to and for the purposes of art. 2359, paragraph 1, nos. 1 and 2, Italian Civil Code.

It should also be noted that, again with regard to the company FERROVIENORD, the concession agreement (the “**Concession**”) in favour of the latter - most recently renewed until 31 October 2060 by resolution dated 15 February 2016 by the Lombardy Region (FNM’s controlling shareholder) - relating to the construction, operation and management of the regional railway network and infrastructure, provides that “*the Region reserves the right to withdraw from the Concession in advance, ..., in the event of a change in the Concessionaire’s corporate shareholding structure (i.e. FERROVIENORD) resulting in a change of control over it,....*”.

It should also be noted that the validity of the service agreement between the Lombardy Region and FERROVIENORD dated 16 March 2016 (as subsequently amended on 14 February 2018 and 22 December 2021) is linked to the validity of the Concession, which represents its necessary legal precondition.

In addition, the validity of the planning agreement between the Lombardy Region and FERROVIENORD dated 28 July 2016 (as subsequently amended on 28 December 2017, 14 February 2018, 23 July 2018, 31 July 2019, 14 December 2020 and 23 November 2021) also depends on the validity of the Concession, which represents its necessary legal precondition. It should also be noted that the new planning agreement between FERROVIENORD and the Lombardy Region provides for “...a right of withdrawal for the Region, subject to written notice to be sent at least one year in advance, in the event of a change in the Concessionaire’s shareholder structure (i.e. FERROVIENORD) resulting in a change in the control over it or intervening reasons of public interest”.

With regard to the subsidiary La Linea, the intra-group loan agreements entered into with FNM on 20 December 2019, for an amount of EUR 1,400,000.00, and on 1 December 2021, for a maximum amount of EUR 9,000,000.00, respectively, establish in art. 7.2 (“Early Termination”) that La Linea must repay the loan in full if a “change of control” event occurs, i.e., if FNM ceases to hold control over La Linea pursuant to and for the purposes of art. 2359, paragraph 1, no. 1, of the Italian Civil Code.

With reference to the subsidiary MISE, the following bank loan agreements contain change of control clauses:

- 1) a loan agreement entered into on 13 December 2010 between MISE and a pool of financial institutions for a total amount of EUR 90,000,000.00 with a duration of 15 years, for which a specific waiver was obtained at the time of the acquisition of MISE by FNM;
- 2) a loan agreement entered into on 13 December 2010 between MISE and a pool of financial institutions, for a total amount of EUR 150,000,000.00, with a duration of 15 years, for which a specific waiver was obtained at the time of the acquisition of MISE by FNM;
- 3) a loan agreement between MISE and Banca Carige S.p.A. (brokered by the European Investment Bank), entered into on 2 March 2012, for a total of EUR 20,000,000.00, with a duration of 13 years, for which a specific disclosure was sent during the acquisition of MISE by FNM;
- 4) a loan agreement entered into on 19 December 2017 between MISE and Finlombarda, for a total of EUR 40,000,000.00, with a duration of 5 years for which a specific waiver was obtained during the acquisition of MISE by FNM;
- 5) a loan agreement entered into on 18 December 2019 between MISE and a pool of financial institutions, for a total amount of EUR 150,000,000.00, with a duration of 7 years, for which a specific disclosure was sent at the time of the acquisition of MISE by FNM.

Finally, as part of the acquisition of MISE by FNM, a specific waiver request was sent to Banco BPM S.p.A. (formerly Banca Popolare di Verona San Geminiano e San Prospero S.p.A.), since the framework agreement relating to transactions in derivative financial instruments entered into on 14 April 2011 between MISE and Banco BPM S.p.A. establishes that any change in the current controlling interest in MISE constitutes a change in circumstances such so as to justify the early termination of the agreement.

On the subject of takeover bids, it should be noted that the Articles of Association do not provide for (i) exceptions to the provisions on the passivity rule laid down by art. 104, paragraphs 1 and 1-*bis* of the Consolidated Law on Finance, or (ii) the application of the neutralisation rules set out in art. 104-*bis*, paragraphs 2 and 3 of the Consolidated Law on Finance.

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

The Board has not been delegated by the Shareholders' Meeting to increase the share capital pursuant to art. 2443 of the Italian Civil Code. The Articles of Association do not establish that the Company may issue participating financial instruments.

On 30 April 2021, the Shareholders' Meeting - after revoking the previous authorisation granted by the Shareholders' Meeting resolution on 27 May 2020 - approved the authorisation for the Board of Directors to purchase treasury shares, up to a maximum of 21,745,128 ordinary shares, corresponding to 5% of the share capital, establishing that the purchase of shares may be carried out within 18 months from the resolution date in one or more tranches, so as to ensure equal treatment among shareholders, in accordance with the provisions of the regulations.

The main elements of this authorisation, as contained in the relative resolution, are described below:

- **Justification**

The acquisition and sale of treasury shares is a tool for operational and strategic flexibility which enables the Company to (i) perform possible interventions in the market to support the liquidity of the security and the regularity of trading trends and prices, so as to favour their regular performance outside of normal changes linked to market trends in compliance with provisions in force, (ii) use the shares in the portfolio as consideration for any extraordinary or acquisition transactions or (iii) convert any debt instruments into shares.

The authorisation also includes the right for the Board of Directors to carry out repeated and subsequent acquisition and sale transactions (or other disposal transactions) on treasury shares on a "revolving" basis, including for fractions of the maximum authorised quantity, so that, at any time, the quantity of shares owned by the Company will not exceed the limits established by the Shareholders' Meeting authorisation.

- **Duration**

The authorisation for the purchase of treasury shares is established for the maximum duration allowed by art. 2357, second paragraph, of the Italian Civil Code, i.e. for a period of 18 months as from 30 April 2021, while the duration of the authorisation to sell, dispose of and/or use any treasury shares purchased is provided without time limits, in consideration of the lack of regulatory constraints in this regard and the opportunity to allow the Board of Directors to make use of the maximum flexibility, also in terms of time, for the possible disposal of treasury shares.

- **Maximum number of shares that may be acquired**

In line with what was approved by the Shareholders' Meeting on 27 May 2020, the authorisation provided by the Shareholders' Meeting on 30 April 2021 allows for the purchase, possibly in multiple tranches, of ordinary shares of FNM, up to a maximum number of shares which - also taking into account the ordinary shares held over time, directly and indirectly, in the portfolio -

does not overall exceed 5% of the share capital.

- **Methods for performing transactions and indication of the minimum and maximum price**

The acquisitions will be carried out in compliance with the principle of equal shareholder treatment as set forth in art. 132 of the Consolidated Law on Finance, according to the methods identified by article 144-*bis*, paragraph 1, of the Issuers' Regulation, and any other regulation in force, as well as, when applicable, permitted market practices in force over time.

As regards the disposal transactions, in line with what was approved by the Shareholders' Meeting of 27 May 2020, the authorisation allows the Board of Directors to adopt the method the Board will deem most appropriate in light of the purpose to be pursued, including sales outside the regulated market. The unit consideration for the acquisition of shares will be established from time to time for each individual transaction, without prejudice to the fact that it shall not be either 20% higher or 20% lower than the reference price recorded by the FNM security during the trading session on the day prior to that on which each individual acquisition transaction will take place. Concerning the consideration shall be no lower than 80% of the reference price recorded by the FNM security in the trading session prior to each individual disposal transaction. This consideration limit shall not apply to the execution of transactions in relation to which it is appropriate to proceed with the exchange or transfer of stakes to be performed through exchange or contribution. The Board of Directors will have the power to determine, from time to time, all additional conditions, methods and terms of the disposal. The acquisitions will be carried out - in compliance with the provisions of art. 2357, paragraphs 1 and 3, of the Italian Civil Code - within the limits of the distributable profits and the available reserves set forth in the most recent financial statements of the Company approved at the time of the performance of each transaction.

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As of today's date, FNM does not hold treasury shares in the portfolio and no subsidiary of FNM holds its shares.

**j) Management and coordination activities (pursuant to art. 2497 et seq., Italian Civil Code)**

As required by art. 16 of the Market Regulation, it should be noted that the controlling shareholder, the Lombardy Region, does not exercise management and coordination activities over FNM pursuant to arts. 2497 et seq. of the Italian Civil Code.

It is believed that the responsibilities and authority of the non-executive and independent Directors and their significant weight in the Board's decision-making process constitute a further guarantee that all Board decisions are taken in the exclusive interest of the Company and in the absence of directives or interference from third parties with interests unrelated to those of the FNM Group.

FNM has the power to exercise management and coordination activities with regard to certain subsidiaries, pursuant to and for the purposes of the above-mentioned articles of the Italian Civil Code.

However, it should be noted that FNM's status as the holding company leading the Group enhances the principle of the legal and decision-making autonomy of the subsidiaries, also considering the fact that the



Group's current organisational structure clearly distinguishes between the responsibilities and activities of the various companies, so that each is focused on a specific sector of operations.

Indeed, within the FNM Group, the Issuer is not the direct holder of any public service concession, nor does it carry out or is it involved in the actual performance of any of these services, which instead are carried out by its subsidiaries or investees.

\* \* \*

It should be noted that:

- the information required by art. 123-*bis*, paragraph 1, letter *i*), of the Consolidated Law on Finance (*"agreements between the company and the directors ... providing for indemnities in the case of resignation or dismissal without just cause or if their employment relationship terminates following a takeover bid"*) are provided in Paragraph 8.1 (*Remuneration of Directors*) and in the Remuneration Report;
- the information required by art. 123-*bis*, paragraph 1, letter *l*) of the Consolidated Law on Finance (*"the rules applicable to the appointment and replacement of Directors ... as well as the amendment of the Articles of Association, if different from those set out in the laws and regulations applicable on an additional basis"*), are provided in the Section of the Report dedicated to the Board (Section 4, Paragraph 4.2 (*Appointment and Replacement*) below);
- the information required by art. 123-*bis*, paragraph 1, letter *l*), second part of the Consolidated Law on Finance (*"the rules applicable ... to the amendment of the Articles of Association, if different from those set out in the laws and regulations applicable on an additional basis"*) is set forth in the Section of the Report dedicated to the Shareholders' Meeting (Section 13 (*Shareholders' Meetings*) below).

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

The Company believes that the alignment of the internal corporate governance structures with those suggested by the Code represents a valid and indispensable opportunity to increase its reliability with respect to the market. Therefore, since 2006, FNM has complied with the substance of the Principles and Application Criteria contained in the various versions of the Corporate Governance Code (now CG Code), also by adopting the Guidelines of the Internal Control and Risk Management System, as amended and integrated over time.

In this regard, it should be noted that the Company, by means of the Framework Resolution, has confirmed its substantial compliance with the Principles and Recommendations of the CG Code (version available on the website <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>).

Finally, it should be noted that on the Company's website ([www.fnmgroup.it](http://www.fnmgroup.it)), the following documents are available for consultation:

- Guidelines for the Internal Control and Risk Management System;
- the Report;
- the Remuneration Report.

Unless specified otherwise, the information contained in this Report refers to the date of its approval by the Board on 18 March 2022.

\* \* \*

Moreover, we inform that neither the Issuer nor its subsidiaries are subject to non-Italian legal provisions affecting the Issuer's corporate governance structure.

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

##### **4.1. Role of the Board of Directors (pursuant to art. 123-bis, paragraph 2, letter d), Consolidated Law on Finance)**

As the central body of the Company's corporate governance system, the Board is responsible, *inter alia*, for defining, applying and updating the rules of corporate governance, in compliance with the law and regulations in force, and for developing the Company's strategic and organisational policies.

As laid out in more detail below, in compliance with Principles I-III of the Code, the Board of Directors guides the Company by pursuing the objective of Sustainable Success, defining the strategies of the Issuer and the Group in compliance with this objective and ensuring their effective implementation. Indeed, the Board of Directors (i) defines the most suitable corporate governance system to carry out the Issuer's and its Group's activities; (ii) defines and approves the guidelines and the strategic, business and financial plans of FNM and the Group and the relative underlying criteria; (iii) defines and assesses the risk levels deemed compatible with the priority objective of Sustainable Success; and (iv) assesses the overall organisational and control structure of the Company and the Group.

With reference to Principle IV of the CG Code, FNM considers that the definition, development and maintenance of open, transparent and continuous forms of dialogue with all shareholders, investors (current and potential) and other stakeholders can contribute to bringing significant benefits to both investors and issuers, favouring the creation of value in the medium/long term. Therefore, the Company believes that it is in its own specific interest - as well as a duty towards the market - to ensure a constant and open relationship, based on a mutual understanding of roles, with investors (institutional and non-institutional), asset managers or associations representing them, as well as with all its shareholders, bondholders and stakeholders, in order to increase their level of understanding of the activities carried out by the Company and the Group. To this end, the Board of Directors, with resolution of 23 February 2022 - on the proposal of the Chair and Chief Executive Officer - approved a policy (the "**Engagement Policy**") to ensure that the dialogue that the Company engages in with investors and with all its shareholders, bondholders and stakeholders is inspired by principles of fairness and transparency and can be carried out in compliance with (i) EU and national regulations on market abuse and (ii) the relative implementing provisions (European and national) on the management and public disclosure of "inside information".

The priority objective of FNM's Engagement Policy is, therefore, to foster the Company's transparency with respect to the financial community and the markets, by building, maintaining and developing an active relationship of trust with all investors and shareholders, as well as any bondholders and stakeholders.

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Pursuant to art. 23 of the Articles of Association, the Board is vested with the most extensive powers for the ordinary and extraordinary management of the Company, without any exception whatsoever, and has

the power to carry out any action it deems appropriate for the implementation and achievement of the corporate purpose, with the sole exception of those acts that the law strictly places under the responsibility of the Shareholders' Meeting.

This being said, in accordance with Recommendation 1 of the Code and, in any case, in accordance with consolidated practice, the Board of Directors has the following responsibilities:

- (a) examining and approving the strategic and business plans of FNM and the FNM Group, also on the basis of an analysis of relevant issues relating to the generation of value in the long term;
- (b) periodically monitoring the implementation of the business plan and assessing the general performance of operations, periodically comparing actual and planned results;
- (c) defining the nature and level of risk compatible with the strategic objectives of FNM and its subsidiaries, including in its assessments all risks that may be relevant with a view to the Company's Sustainable Success;
- (d) defining the FNM's corporate governance system and the structure of the FNM Group and assessing the adequacy of the Company's organisational, administrative and accounting structure, as well as that of its strategically important subsidiaries, particularly with reference to the internal control and risk management system ("SCIGR");
- (e) establishing the frequency, in any case no more than quarterly, with which the delegated bodies must report to the Board of Directors on the relevant activities carried out in the exercise of their delegated powers;
- (f) passing resolutions on operations of significant importance for FNM from the strategic, economic, capital or financial perspective, which it carries out from time to time, referring to all operations other than those of an ordinary nature falling within the powers of the delegated bodies and - where appropriate, in compliance with the principle of legal and decision-making autonomy of the subsidiaries - its subsidiaries;
- (g) carrying out, at least once per year, an assessment of the actual functioning, size and composition of the Board and its Committees, also taking into account the professional characteristics, experience - including management experience - and gender of its members, as well as their seniority in office ("self assessment");
- (h) defining the optimal composition of the Board of Directors and its Committees;
- (i) identifying candidates for the office of Director in the event of co-opting;
- (j) before the appointment of the new Board and taking into account the results of the assessment referred to in letter (g) ("self assessment"), providing Shareholders with guidelines on the management and professional figures whose presence on the Board of Directors is deemed appropriate;
- (k) adopting, at the proposal of the Chair and Chief Executive Officer, a procedure for the internal management and external disclosure of documents and information concerning the Company, particularly with reference to inside information;
- (l) designating an Independent Director as Lead Independent Director;

- (m) setting up one or more Board Committees, made up of Directors who are for the most part Independent Directors, it being understood that (i) at least 1 member of the Remuneration Committee must have adequate knowledge and experience in financial matters or remuneration policies and (ii) at least 1 member of the Control, Risks and Related Party Transactions Committee (as Control and Risks Committee) must have adequate knowledge and experience in accounting and finance or risk management;
- (n) adopting, at the recommendation of the Chair and Chief Executive Officer, a policy for managing dialogue with the general public of shareholders;
- (o) approving, at the proposal of the Chair, the appointment and dismissal of the Secretary of the Board of Directors, defining his or her professional requirements and duties;
- (p) approving its own operating regulations;

as well as, with the support of the Control, Risks and Related Party Transactions Committee (as the Control and Risks Committee, where established), the following additional responsibilities:

- (q) defining the guidelines of the SCIGR in line with the Company's strategies and assessing, at least once per year, the adequacy of such system with respect to the characteristics of the company and the risk profile assumed, as well as its effectiveness;
- (r) appointing and dismissing the Head of the Internal Audit Function, defining the relative remuneration in line with company policies and ensuring that they are provided with adequate resources to carry out their duties. If it decides to entrust the internal audit function, as a whole or parts of it, to a party external to FNM, ensuring that this party meets adequate requirements of professionalism, independence and organisation and providing adequate justification for this choice in the corporate governance report;
- (s) approving, at least once per year, the work plan prepared by the Head of the Internal Audit Function, after consulting with the Board of Statutory Auditors and the Appointed Director;
- (t) assessing the appropriateness of adopting measures to guarantee the effectiveness and impartiality of the other functions involved in the controls (Risk Management and Management Systems Function and Compliance Function), verifying that they have adequate professionalism and resources;
- (u) appointing the Supervisory Body pursuant to art. 6, paragraph 1, letter b) of Legislative Decree 231/2001 as amended;
- (v) after consulting with the Board of Statutory Auditors, assessing the results set out by the independent auditors in the letter of suggestions, if any, and in the additional report addressed to the Board of Statutory Auditors;
- (w) describing in the corporate governance report the main features of the SCIGR and the methods of coordination between the parties involved in it, specifying the models and reference national and international best practices, expressing its overall assessment on the adequacy of the system and giving an account of the choices made with regard to the composition of the supervisory body referred to in letter (u) above;

in agreement with and with the support of the Remuneration Committee, which makes proposals on the

subject:

- (x) drawing up and approving the remuneration policy for Directors (and, in particular, Executive Directors and those holding particular offices), the General Manager and other Key Management Personnel, and without prejudice to the provisions of art. 2402 of the Italian Civil Code, for the Statutory Auditors, in compliance with the regulations applicable to FNM from time to time and the corporate governance criteria, principles and recommendations applicable to FNM, submitting it to the binding vote of the Shareholders' Meeting and handling its implementation;
- (y) determining the remuneration of executive Directors and Directors holding specific offices, subject to the opinion of the Board of Statutory Auditors pursuant to art. 2389, paragraph 3, of the Italian Civil Code, on the proposal of the Remuneration Committee, and in compliance with (1) the regulations applicable to FNM from time to time as well as (2) the corporate governance criteria, principles and recommendations applicable to FNM;
- (z) appointing, where appropriate, the General Manager and, at the proposal of the Remuneration Committee, setting his/her remuneration;
- (aa) subject to the opinion of the Remuneration Committee, approving the Remuneration Report, without prejudice to the shareholders' vote on the same;
- (bb) preparing, with the assistance of the Remuneration Committee which makes proposals on the subject, the remuneration plans based on shares or other financial instruments and submitting them to the Shareholders' Meeting for approval pursuant to art. 114-*bis* of the Consolidated Law on Finance;
- (cc) implementing remuneration plans based on financial instruments, with the assistance of the Remuneration Committee, as delegated by the Shareholders' Meeting.

With regard to point a) of Recommendation 1 of the Code, the Board is of the opinion that - with regard to the examination and approval of business and strategic plans, as well as the analysis of relevant issues for the generation of long-term value - it is not necessary, at present, to set up a specific board committee, since it believes that these activities can be carried out within the Board's plenary meeting with the participation and contribution of all Directors.

Regarding point d) of Recommendation 1, also taking into account the 4 pillars of the 2021 - 2025 Strategic Plan Guidelines, identified as: (1) mobility; (2) infrastructure; (3) fleets; and (4) people/communities, the Board of Directors has identified the following as strategically important subsidiaries:

- FERROVIENORD S.p.A.;
- FNM Autoservizi S.p.A.;
- Azienda Trasporti Verona S.r.l.;
- Trenord S.r.l.;
- Milano Serravalle – Milano Tangenziali S.p.A.

Particularly with reference to point e) of Recommendation 1, in continuity with what was decided when the Framework Resolution was adopted on 1 June 2018, under the Framework Resolution it was considered that FNM's position as the holding company leading the Group enhances the principle of the legal and

decision-making autonomy of the subsidiaries, also taking into account the fact that the Group's current organisational structure clearly distinguishes between the responsibilities and activities of the various companies, so that each is focused on a specific sector of operations.

Indeed, within the FNM Group, the Company is not the direct holder of any public service concession, nor does it carry out or is it involved in the actual performance of any of these services, which instead are carried out by its subsidiaries (including companies subject to joint control). It follows that the current group structure takes into account the purpose, the corporate purpose and the institutional mission attributed to the various companies within the Group, especially with reference to those that directly hold concessions for the performance of public service activities (FERROVIENORD, Trenord and MISE). Therefore, during operations directly pertaining to the performance of these public service activities, the decision-making, administrative and managerial autonomy is promoted of the companies that are part of the FNM Group, which, where deemed appropriate, may therefore proceed with an autonomous evaluation of transactions of strategic importance without, therefore, the obligation of a necessary prior examination or approval by the parent company FNM.

This being said, the Board attributes considerable importance to the practical implementation of the Principles and Recommendations expressed in the Code. Therefore, taking into account the above-mentioned considerations, during the year the Board of Directors, among other things:

- (i) monitored the implementation of the 2021-2025 Strategic Plan Guidelines and approved the 2021-2025 Strategic Plan, which confirms the 4 strategic pillars of the 2021-2025 Strategic Plan Guidelines, namely: (a) mobility, which will continue to represent the core business of the Company and the Group, with respect to which a strengthening in local public transport and of the Group is expected; (b) infrastructure, for which a focus on the related development and management is expected; (c) fleets, with respect to which FNM (as "asset company") intends to make available technical expertise and financial resources for the relative renewal and improvement; and (d) people/communities, with the planned introduction of innovative mobility models according to the MaaS (Mobility as a Service) and MaaC (Mobility as a Community) approach;
- (ii) periodically assessed the general performance of operations, taking into consideration the information received from the delegated bodies and making comparisons between expected and actual results during the relative Board meetings;
- (iii) assessed, on 18 March 2021, the adequacy of the organisational, administrative and accounting structure of the Issuer and its subsidiaries and of the internal audit and risk management system, also based on the information and recommendations received from the Control, Risks and Related Party Transactions Committee, the Chief Executive Officer, the Internal Audit and Risk Management Function, the Board of Statutory Auditors and the Supervisory Body;
- (iv) assessed and defined, on 16 September 2021 and in the context of the approval of the 2021 - 2025 Strategic Plan, the nature and level of risk compatible with the strategic objectives of the Issuer and the Group, including, in these assessments, the objective of Sustainable Success;
- (v) approved, at the meeting 18 of March 2021, the 2021-2023 Compliance Plan, which describes the

planning of the Compliance Function's activities for the three-year period and the breakdown of objectives, including those envisaged in the Anti-Corruption Programme called "Zero Tolerance", in accordance with the requirements of the ISO 37001 standard;

- (vi) approved the interim accounting data for the period, the interim reports and the interim financial statements;
- (vii) reviewed the annual business risk assessment activity and approved the 2020 Risk Assessment on 27 April 2021;
- (viii) approved and/or carried out a number of extraordinary transactions, including, in particular:
  - (a) the completion, on 26 February 2021, of the acquisition of an additional 82.4% of MISE's share capital in execution of the sale and purchase agreement signed and disclosed to the market on 3 November 2020. This equity investment, added to the one already acquired by FNM on 29 July 2020, means that as of the date of this Report, FNM holds an equity investment representing 96% of MISE's share capital;
  - (b) the establishment of the EMTN Programme, as approved on 16 September 2021;
  - (c) the placement and issue - under the EMTN Programme - approved on 28 September 2021 and concluded on 13 October 2021, of a non-convertible senior unsecured bond (the "**Bond**") for EUR 650 million, with a duration of five years. The Bond was offered for subscription to Italian and foreign institutional investors and was listed on the regulated market of the Irish Stock Exchange - Euronext Dublin. As announced to the market on 13 October 2021, the proceeds of the Bond were used to repay in full and in advance the outstanding debt assumed in connection with the MISE acquisition and to maintain appropriate levels of liquidity to meet operating and investment requirements;
  - (d) the acquisition on 3 December 2021 of a 33.33% equity investment in Sportit S.r.l. ("**Sportit**"), a company active under the Snowit brand, the main marketplace for the integrated online sale of ski passes, ski-related services and experiences relating to the mountain world in the main European skiing destinations, for a total of EUR 2.5 million.
  - (e) the subscription and payment of the second tranche of the overall paid and divisible EUR 1,000,000.00 share capital increase approved by Busforfun.com S.r.l. on 26 November 2020, thus increasing its stake to 40% of the share capital.

With reference to Recommendation 2 of the Code, during the Financial Year the Board of Directors did not deem it necessary or appropriate to draw up justified proposals to be submitted to the Shareholders' Meeting for the definition of a more functional corporate governance system to meet FNM's needs, having deemed the current corporate governance system to be adequate.

With reference to Recommendation 3 of the Code, during the Financial Year, the Company began work on the development and approval of the Engagement Policy, which was formally adopted by the FNM Board of Directors in agreement with, and based on the proposal of, the Chair and Chief Executive Officer, on 23 February 2022. Please refer to Section 12 (*Relations with Shareholders*) for further information.

With regard to the duties of the Board of Directors (i) on the subject of the self-assessment, please refer to the Section 7.1 (*Self-Assessment and Succession of Directors*); (ii) with respect to remuneration, please refer to Section 8 (*Remuneration of Directors - Remuneration Committee*); and (iii) on the subject of the SCIGR, please refer to Section 9 (*Internal Control and Risk Management System - Control, Risks and Related Party Transactions Committee*).

#### **4.2. Appointment and replacement (pursuant to art. 123-bis, paragraph 1, letter l), Consolidated Law on Finance)**

The appointment of FNM Directors is governed by art. 17 of the Articles of Association, available on the Company's website ([www.fnmgroupp.it](http://www.fnmgroupp.it)); pursuant to art. 17 of the Articles of Association, the Company is managed by a Board composed of a minimum of 3 and a maximum of 9 Directors.

The Board is appointed by the Shareholders' Meeting on the basis of lists submitted by shareholders. Pursuant to art. 17 of the Articles of Association, as amended most recently on 28 January 2021 by resolution of the Board of Directors, shareholders who, when submitting the list, hold a stake at least equal to that determined by Consob pursuant to art. 147-ter, paragraph 1, Consolidated Law on Finance, art. 144-*quater* of the Issuers' Regulation and decision no. 60 of 28 January 2022, by which Consob set this share at 2.5%, may submit a list for the appointment of Directors. It is the responsibility of the shareholders - alone or together with other shareholders - to prove the ownership of the number of shares necessary to submit the lists by means of a specific statement issued by an intermediary authorised by law; if not available when the lists are submitted, such documents must reach the Company at least 21 days before the date scheduled for the Meeting. The lists must be filed at the registered office at least 25 days prior to the date of the Shareholders' Meeting called upon to approve the appointment of the Directors. Pursuant to art. 17 of the Articles of Association, the lists shall include a number of candidates not to exceed 9, each of which shall be assigned a sequential number. Each list must contain and expressly indicate at least 1 Independent Director pursuant to art. 147-ter, paragraph 4 of the Consolidated Law on Finance, with a sequential number no higher than 7 and - if they are not lists with fewer than 3 candidates - they have to ensure the presence of both genders, so that the candidates of the least represented gender are - for six consecutive terms of office starting from the first appointment of the Board after 1 January 2020 - at least 2/5 of the elected directors, rounding in case of fractional number, in compliance with the law and regulations in force from time to time (i.e. art. 144-*undecies*.1 of the Issuers' Regulation).

If the list consists of more than 7 candidates, it must contain and expressly indicate a second Independent Director pursuant to art. 147-ter, paragraph 4 of the Consolidated Law on Finance. According to the Articles of Association, each list may also expressly indicate the Directors who meet the independence requirements set out in the codes of conduct drawn up by regulated market management companies or trade associations.

The lists also contain:

- (i) a comprehensive disclosure of the candidates' personal and professional characteristics;
- (ii) a statement regarding whether they meet requirements to be qualified as Independent Director pursuant to art. 147-ter, paragraph 4, of the Consolidated Law on Finance and, if applicable, the



further requirements set out in the codes of conduct drawn up by regulated market management companies or trade associations;

- (iii) the indication of the identity of the shareholders submitting the lists and the total percentage stake held; such possession must be proven by a specific notice issued by an intermediary, to be filed by the deadline for the publication of the lists by the Issuer;
- (iv) any other or different statement, information and/or document required by law and applicable regulations.

A shareholder may not submit or vote for more than 1 list, even through a third party or trust company. A candidate may only be included on one list, under penalty of ineligibility. After the vote, the candidates of the 2 lists that obtained the highest number of votes are elected, according to the following criteria: (i) a number of Directors equal to the total number of members of the Board, as previously established by the Shareholders' Meeting, minus 1, is taken from the list that obtained the highest number of votes (hereinafter the "**Majority List**"); within these numerical limits, the candidates are elected in the numerical order indicated on the list; (ii) 1 director is taken from the list that obtained the second highest number of votes and that is not connected, even indirectly, with the shareholders who submitted or voted for the Majority List pursuant to applicable provisions (hereinafter the "**Minority List**"), i.e., the candidate listed first on the list; however, if not even 1 Independent Director pursuant to art. 147-ter, paragraph 4 of the Consolidated Law on Finance is elected from the Majority List, if the Board has no more than 7 members, or only 1 Independent Director is appointed pursuant to art. 147-ter, paragraph 4 of the Consolidated Law on Finance, if the Board has more than 7 members, the first Independent Director pursuant to art. 147-ter, paragraph 4 of the Consolidated Law on Finance, indicated on the Minority List, is elected, instead of the first candidate on the Minority List.

If the resulting composition of the body does not allow for compliance with gender balance, taking into account the order in which they are listed, the last elected members of the Majority List of the most represented gender are considered not elected in the number necessary to ensure compliance with the requirement, and shall be replaced by the first unelected candidates from the same list of the least represented gender. In the absence of a sufficient number of candidates of the least represented gender to make the replacement on the Majority List, the Shareholders' Meeting will appoint additional members to the body with the majorities required by law, to ensure that the requirement is met.

Art. 17 of the Articles of Association, in compliance with what is permitted by art. 147-ter, paragraph 1 of the Consolidated Law on Finance, establishes that, for the purpose of the allotment of the Directors to be elected, lists that did not obtain a percentage of votes equal to at least half of the percentage required for submitting them are not taken into account.

In the event of a tie vote between lists, the list submitted by shareholders owning the largest shareholding at the time of submission of the list or, alternatively, by the largest number of shareholders, will prevail, in compliance with the rules on gender balance within the bodies of listed companies. If only one list is submitted, the Shareholders' Meeting votes on it and, if it obtains the relative majority of voters - without taking into account abstainers - the candidates listed in sequential order are elected as Directors, up to the

number set by the Shareholders' Meeting, it being understood that if the Board has more than 7 members, the second Independent Director pursuant to art. 147-ter, paragraph 4 of the Consolidated Law on Finance shall also be elected, in addition to the one who has to be in the first 7 positions, in compliance in any event with the allotment approach set forth in art. 147-ter, paragraph 1-ter, of the Consolidated Law on Finance. If no lists are submitted, or if the number of Directors elected on the basis of the lists submitted is lower than the number set forth by the Shareholders' Meeting, the Board's members are appointed by the Shareholders' Meeting with the majorities required by law, without prejudice to the obligation for the Shareholders' Meeting to appoint a number of Independent Directors pursuant to art. 147-ter, paragraph 4 of the Consolidated Law on Finance equal to the minimum number set forth by law, and to comply with the allotment approach established in art. 147-ter, paragraph 1-ter of the Consolidated Law on Finance. The Independent Directors pursuant to art. 147-ter, paragraph 4 of the Consolidated Law on Finance who were identified as such upon appointment must report any subsequent failure to meet such independence requirements and will as a result be removed from office pursuant to the law.

In the event of the departure from office, for any reason whatsoever, of one or more Directors, the procedure set forth in art. 2386 of the Italian Civil Code is followed, without prejudice to the obligation to maintain the minimum number of Independent Directors pursuant to art. 147-ter, paragraph 4, of the Consolidated Law on Finance, and compliance with the allotment approach set forth in art. 147-ter, paragraph 1-ter, of the Consolidated Law on Finance and, where possible, the principle of the representation of minority shareholders; this is without prejudice to the provisions contained in art. 25 of the Articles of Association. Any candidate specifically identified as Chair on the Majority List or the only list submitted and approved shall be elected Chair of the Board. Otherwise, the Chair is appointed by the Shareholders' Meeting with the ordinary majorities required by law, or is appointed by the administrative body pursuant to the Articles of Association.

The Articles of Association establish as independence requirements those set forth for Auditors pursuant to art.148, paragraph 3, of the Consolidated Law on Finance and, if necessary, the additional requirements provided by codes of conduct drawn up by regulated market management companies or trade associations. Moreover, the Articles of Association do not contain any requirements of integrity and/or professionalism beyond those required by law for holding the office of Director. Please recall that FNM is subject to (i) Legislative Decree no. 39 of 8 April 2013 <sup>(1)</sup>, containing provisions on the subject of ineligibility for and incompatibility of offices in public administrations and in private bodies under public control; (ii) Lombardy Regional Law no. 32 of 10 December 2008, which establishes - among other things - grounds for incompatibility and exclusion for the assumption of the role of Director in FNM and other bodies in which the region holds a stake; (iii) art. 5, paragraph 9 of Decree Law no. 95/2012 (converted with amendments by Law no. 135 of 7 August 2012), relating to the prohibition of conferring appointments upon persons in retirement; as well as (iv) art. 7 of Legislative Decree 235/2012, relating to the ineligibility of candidates with

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<sup>1</sup> For the sake of comprehensiveness, it should be noted that Legislative Decree no. 39 of 8 April 2013 also applies to some of the companies belonging to the Group.

definitive criminal convictions. In particular, it should be noted that the appointment of Directors by the Lombardy Region and their replacement complies with the procedures set forth in the above-mentioned regulations.

Pursuant to art. 123-*bis*, paragraph 1, letter *l*), of the Consolidated Law on Finance and with regard to the amendment of the Articles of Association, it should be underscored that any amendment must be made in compliance with current legal and regulatory principles, with the specification that the Board - pursuant to art. 23 of the Articles of Association and in compliance with what is permitted by art. 2365, paragraph 2 of the Italian Civil Code - is vested with the power to decide on, among other things, amendments to the Articles of Association in order to comply with regulatory provisions, the transfer of the registered office within Italy and the reduction of the share capital in the event of shareholder withdrawal.

#### **4.3. Composition (pursuant to art. 123-*bis*, paragraph 2, letter *d*), Consolidated Law on Finance)**

The Board of Directors in office at the end of the Financial Year, consisting of 7 members, was appointed by the FNM Shareholders' Meeting held on 30 April 2021 (the "**New Board of Directors**"), with a term of office until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2023.

In compliance with Principles V and VI of the CG Code, it should be specified that (i) the Board of Directors in office at the end of the Financial Year is made up of executive and non-executive Directors, all of whom have the professionalism and skills required for the tasks assigned to them; (ii) the number and skills of the non-executive Directors are such so as to ensure that they have significant weight in the adoption of board resolutions and guarantee effective monitoring of management; and (iii) as described in more detail below, a significant portion of the non-executive Directors are independent.

The New Board of Directors in office at the end of the Financial Year replaces the one appointed by the FNM Shareholders' Meeting held on 21 May 2018, with a term of office until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2020 (the "**Previous Board of Directors**").

The appointment of the New Board of Directors was carried out in a manner ensuring gender balance pursuant to art. 147-*ter*, paragraph 1-*ter* of the Consolidated Law on Finance, on the basis of candidates proposed by means of filing lists at the registered office.

In particular, for the appointment of the New Board of Directors, three lists of candidates were submitted by the deadline of 6 April 2021, and more specifically one list was submitted by the majority shareholder the Lombardy Region (conventionally called List 1), a second list (conventionally called List 2) was submitted by the shareholder Ferrovie dello Stato Italiane S.p.A. and a third list (conventionally called List 3) was submitted by the shareholders Anima SGR S.p.A., Arca Fondi SGR S.p.A., Bancoposta Fondi S.p.A. SGR, Eurizon Capital SGR S.p.A., Mediolanum Gestione Fondi SGR S.p.A. and Mediolanum International Funds Limited - Challenge Funds - Challenge Italian Equity (the "**Managers**").

The Company published those 3 lists on 9 April 2021, according to the terms and methods set out by law and regulations in force.

The table below provides in greater detail the percentages of capital held by the above-mentioned Shareholders, the candidates proposed and those elected, as well as the percentage of votes obtained in relation to the voting capital.

<b>List submitted by</b>	<b>% of share capital held</b>	<b>Candidate List</b>	<b>Elected Members List</b>	<b>% obtained in relation to the voting capital</b>
<b>Lombardy Region</b>	57.574%	Andrea Angelo Gibelli (Chairman) Caradonna Marcella - independent pursuant to the Consolidated Law on Finance and the Code Gianantonio Arnoldi - independent pursuant to the Consolidated Law on Finance and the Code Tiziana Bortot - independent pursuant to the Consolidated Law on Finance and the Code Ivo Roberto Cassetta - independent pursuant to the Consolidated Law on Finance and the Code	Andrea Angelo Gibelli (Chairman) Caradonna Marcella - independent pursuant to the Consolidated Law on Finance and the Code Gianantonio Arnoldi - independent pursuant to the Consolidated Law on Finance and the Code Tiziana Bortot - independent pursuant to the Consolidated Law on Finance and the Code Ivo Roberto Cassetta - independent pursuant to the Consolidated Law on Finance and the Code	250,478,229 shares in favour - 72.331% of the voting capital (1)

<sup>1</sup> During the vote, 1 shareholder, holding 21 (twenty-one) FNM shares, voted against all lists.

		Gianbattista Lomartire - independent pursuant to the Consolidated Law on Finance and the Code Barbara Lilla Boschetti - independent pursuant to the Consolidated Law on Finance and the Code	Barbara Lilla Boschetti - independent pursuant to the Consolidated Law on Finance and the Code	
<b>Ferrovie dello Stato Italiane S.p.A.</b>	14.741%	Mauro Miccio - independent pursuant to the Consolidated Law on Finance and the Code	Mauro Miccio - independent pursuant to the Consolidated Law on Finance and the Code	64,109,831 shares in favour - 18.513% of the voting capital
<b>Anima SGR S.p.A., Arca Fondi SGR S.p.A., Bancoposta Fondi S.p.A. SGR, Eurizon Capital SGR S.p.A., Mediolanum Gestione Fondi SGR S.p.A., Mediolanum International Funds Limited - Challenge Funds - Challenge Italian Equity</b>	2.61207 %	Ugo De Carolis - independent pursuant to the Consolidated Law on Finance and the Code	-	31,707,538 shares in favour - 9.156% of the voting capital

The composition of the Company's New Board of Directors and Previous Board of Directors and relevant information for each of their members is set forth in Table 2.

The list of offices held by each Director on the New Board of Directors and the previous Board of Directors

in other companies listed in regulated markets (including foreign markets), in financial, banking, insurance or large-sized companies, is provided in Table 3.

Below is a brief professional profile of the individual members of the New Board of Directors and the Previous Board of Directors, also pursuant to art. 144-*decies* of the Issuers' Regulation.

Please note that the Shareholders' Meeting did not authorise, on a general and preventive basis, any exceptions to the non-competition clause established in art. 2390 of the Italian Civil Code.

### **New Board of Directors**

**Andrea Angelo Gibelli**, born in Codogno on 7 September 1967 - **Chairman**

Degree in Architecture from the Polytechnic University of Milan.

Andrea Angelo Gibelli began collaborating with various architectural and engineering firms in project digitalisation processes.

From 1990 to 2010 he held various political offices such as Provincial Councillor in Milan, Municipal Councillor in Sant'Angelo Lodigiano and in Lodi, as well as Member of Parliament in the XII, XIV, XV and XVI legislature at the Chamber of Deputies.

He was a member of the Board of Directors of COGEME S.p.A. from 2000 to 2003 and a member of the Board of Directors of FNM Autoservizi S.p.A. from 2000 to 2002.

From April 2010 to February 2013 he was Vice-President of the Lombardy Region with the delegation of Councillor for Productive Activities at the Lombardy Region.

Since 20 March 2013 he has been Secretary General of the Lombardy Regional Council and Director General of the Presidency. He coordinated the administrative activities of the Regional Council, ensuring coordination between the Region's political bodies (Council and Board) and the organisational structures of both the Region and regional system entities, to achieve objectives and complete programmes. He maintained relations with national and international institutions and also carried out the activities referred to in art. 16 of Lombardy Regional Law no. 20/2008, as Director General of the Presidency, a position he left to become Chairman of FNM.

He also served as interim head of the Central Integrated Planning Department from 11 September 2014 to 31 December 2014.

From June 2015 until 12 July 2018, he served as Chairman of the subsidiary FERROVIENORD.

Since December 2018, he has been national president of ASSTRA (Transport Association), an organisation that brings together 141 sector companies.

Since May 2020, he has been president of CONFSEVIZI, a confederation formed by ASSTRA and Utilitalia that brings together all local public service companies.

He has held the position of Director and Chairman of the Board of Directors of FNM since 25 May 2015.

**Marcella Caradonna, born in Stornara (FG)**, on 22 May 1959 - **Independent Director**

Chartered Accountant Degree with full marks from L. Bocconi University in Milan and Master of Science Degree, specialised in "Combination of Business Economics, Economics and Finance".

She has gained particular experience in drafting organisational models pursuant to Legislative Decree 231/2001.

She carries out and has carried out professional business consulting activities and provides assistance in management, contractual, organisational and corporate law, in the development of quality systems and models pursuant to Legislative Decree 231/2001, personal data protection systems (GDPR 679/2016), management control systems and business restructuring plans; he is specialised in the management of settlements and out-of-court procedures. She was a member of the working group that drew up the Principles for the drafting of Organisational Models pursuant to Legislative Decree 231/01 of the National Council of Chartered Accountants. Accredited instructor at several training institutions in the areas of law and economics throughout the country; coordinator, moderator and speaker in courses, seminars and conferences.

She is a Chartered Accountant and Legal Auditor. She is an Adjunct Professor at the Università Cattolica del Sacro Cuore of Milan and President of the Milan Order of Chartered Accountants.

She is a freelance journalist, author of numerous books and articles on corporate law, business crises, economics and finance published in the main economics and finance publications.

She was a member of the Supervisory Body of Italgas S.p.A.

She is currently Chairwoman of the Board of Statutory Auditors of ATS Milano Città Metropolitana, Corneliani S.p.A. and O.T.S. S.p.A., as well as Standing Auditor of Eni S.p.A., and an Independent Director at Integrae Sim. She is also Chairwoman of the Board of Statutory Auditors of the Italian Thermo-technical Committee.

**Gianantonio Arnoldi, born in Capriate S. Gervasio on 12 May 1958 - Deputy Vice Chairman, Independent Director.**

Degree in Political Science. Professionally, he has held administration and control positions, particularly in public and private companies operating in the commercial, financial, credit and tourism sectors and in the sector of large-scale works.

He has held various public offices such as that of manager of the Lombardy Region as head of the secretariat of the “Family and Social Services” Councillor.

He was a Member of Parliament in the XIV Legislature, President of the Parliamentary Observatory for Tourism, Member of the Finance and Treasury Commission and of the Foreign Affairs Commission of the Chamber of Deputies.

He was a member of the “Scientific Technical Committee” of the Lombardy Region Environment Department and, in addition to countless other positions, he acted as Advisor to the Minister of Agriculture, Food and Forestry for Expo 2015, in this role representing the Ministry at the coordination round table between the Ministry and the Board of Directors of Expo 2015.

Within the FNM Group, he also served as Chairman of the subsidiary FNM Autoservizi S.p.A. until April 2019.

He is the Chief Executive Officer of Concessioni Autostradali Lombarde S.p.A., a company in which ARIA S.p.A. and ANAS S.p.A. hold equal stakes.

**Tiziana Bortot, born in Varese on 25 October 1965 - Independent Director**

Secondary school degree as business administrator and foreign language expert. She has attended refresher courses on an ongoing basis on municipal accounting, drafting of financial statements, public works, procurement and contract law, personal data processing regulations, regulations on public investee companies and payroll and personnel regulations in the public sector.

She began her career in local public bodies as a professional collaborator and then as an officer in the administrative and accounting area.

From 1998 until March 2015, she held the position of Financial Services Manager at the Municipality of Castello Cabiaglio and then Executive officer at the Municipality of Cuvio.

From April 2015 to date she has held the position of Executive officer with the function of Head of the financial service in the municipalities of Cuvio and Cuveglio, under combined management until 31 August 2018.

Since May 2018, she has held the position of Independent Director on the Board of Directors of FNM, within which she participates in several committees.

**Ivo Roberto Cassetta**, born in Milan on 16 July 1962 - **Managing Director**

Degree in Architecture with full marks and registered as an Architect since November 1988.

He was the owner (from 1991 to 2019) of an integrated design, architecture, urban planning, facilities and project management firm.

He has previously held public positions in municipal offices and designed several public works projects at local level.

From December 2018 until December 2021, he served as Director of ANAS S.p.A. - a subsidiary of the FS Holding group.

Since January 2020, he has been working as a fixed-term manager at the Municipality of Giussano (MB) (Urban Planning, Private Construction and Environmental Policies Sector).

Since October 2018, he has been a member of the Lombardy Region's Public Building Area Team.

**Barbara Lilla Boschetti**, born in Epsom (United Kingdom), on 30 August 1974. - **Independent Director**

Degree in law with full marks from Università Cattolica del Sacro Cuore.

She has been a registered member of the Milan bar since 2001, specialising in administrative law and public contract law, urban planning law, environmental law, public services law and infrastructure and transport law.

From 2002 to 2010 she was a research fellow in administrative law at the Faculty of Law at Università Cattolica del Sacro Cuore in Milan.

In 2012 she was appointed Researcher on temporary contract in Administrative Law at Università Cattolica del Sacro Cuore in Milan.

In 2013 she earned the national scientific qualification as Second-Tier Professor in Administrative Law.

In 2015 she became Associate Professor of Administrative Law at the Faculty of Political and Social Sciences of Università Cattolica del Sacro Cuore in Milan.

In the past, she has also held a number positions at the National Anti-Corruption Authority (in 2016-2017 she was a member of the Group for the implementation of the Public Contracts Code, in 2017 she became



an Expert of the Board of the Authority, in 2018 she was appointed as a member of the Working Table on the implementation of Whistleblowing legislation).

In 2018, she earned the national scientific qualification as First-Tier Professor in Administrative Law.

Since 1 February 2020 she has been a Full Professor of Administrative Law at Università Cattolica del Sacro Cuore in Milan.

She is president of the Roundtable for the Public Administration and *RecoveryLab* at the same university. She is the author of dozens of publications in international and national journals on innovation strategies and regulatory and procedural simplification in the public sector (also with reference to procurement and urban renewal) as well as the prevention of corruption at global and national level, on the responsibility of the Public Administration and independent authorities, including in the banking and financial sector, and on the protection of users in public services.

**Mauro Miccio**, born in Rome on 5 July 1955 - **Independent Director and Lead Independent Director**

Degree with honours in law from “La Sapienza” University of Rome earned in 1978, where he worked as assistant to the first chair of commercial law with Prof. Remo Franceschelli. During those years, he was editor of the industrial law journal *European Property Review* and of *Rivista Diritto Industriale* (published by Giuffrè). He began his professional career at the Abete Group, where he was CEO. He has been a member of the board of directors of important national and international companies including ENEL (lead independent director) and RAI Cinecittà, and CEO of EUR S.p.A.; since 2015, he has been Of Counsel at the Law Firm “Piselli and Partners” where he deals with all aspects related to administrative liability (for damages caused to the public entity within or during official relationships), both in relation to the accounting liability emerging when the public employee or private parties have, using public money, caused financial damage with intent or gross negligence. In a broader sense, he deals with all corporate compliance activities with specific reference to anti-corruption and anti-money laundering issues. Since 24 May 2021 he has been Special Commissioner for the Abruzzo ZES (Special Economic Zones); registered in the national OIV list as a member of independent assessment bodies provided for by art. 3 of Ministerial Decree of 2 December 2016.

#### **Previous Board of Directors**

**Andrea Angelo Gibelli**, see above.

**Gianantonio Arnoldi**, see above.

**Giuseppe Bonomi**, born in Varese on 8 June 1958 - **Executive Director**

Degree in Law from the University of Milan.

Lawyer, former law firm owner and barrister in the Court of Cassation and in higher courts with a primary orientation towards administrative law.

He was Chairman of the Board of Directors of Sea S.p.A. from February 1997 to August 1999, a company in which he was already a Director. He returned to Sea S.p.A. as Chairman and Chief Executive Officer from November 2006 to June 2013.

From 2003 to 2004 he was Chairman of the airline Alitalia S.p.A. and of Eurofly S.p.A. from 2003 to 2006. He was also a member of the Board of Directors of Anas S.p.A. and Deputy Chairman of Assaeroporti.

From March 2016 to May 2019, he was Chief Executive Officer of Arexpo S.p.A.

Since 2018, he has been a member of the Unicredit Advisory Board.

In May 2019, he was appointed Chief Executive Officer of Milanosesto S.p.A., a position he still holds.

**Tiziana Bortot**, see above.

**Mirja Cartia d'Asero**, born in Catania on 22 November 1969 - **Independent Director**

Degree in Law from the University of Catania and qualified as a lawyer since 1996, she also has specialised training in real estate finance.

Between 1996 and 2005 she worked on Banking and Finance at the law firms Clifford Chance (Rome - London) and Allen & Overy (Milan).

From 2005 to 2017 at Lehman Brothers (London - Milan) with various assignments within the Global Real Estate Group and - since 2008 - in Administration.

Since 2014, she has been a Founding Partner and CEO of Restar, a platform for non-performing real estate loans for the US Varde Fund, a company sold and merged with Guber Banca, where she serves as Head of Real Estate.

She is a member of the Board of Directors of Italmobiliare S.p.A., FNM S.p.A., Zurich Investments Life S.p.A. and Il Sole 24 Ore S.p.A.

#### **Diversity Criteria and Policies**

The Company has applied diversity criteria, including gender criteria, in the composition of the Board of Directors, in order to ensure adequate expertise and professionalism of its members.

In this regard, on 28 January 2021, the Board of Directors approved the amendment of articles 17 and 26 of the Articles of Association, bringing them into line with the provisions of Law 160/2019, which amended arts. 147-*ter* and 148 of the Consolidated Law on Finance, establishing that the election of Directors as well as Statutory Auditors must be carried out based on an approach ensuring gender balance, and in particular that at least 2/5 of the elected Directors, with regard to the administrative body, and at least 2/5 of the elected Standing Auditors, with regard to the control body, are of the least represented gender.

With regard to the other diversity criteria and without prejudice to the fundamental Director requirements of skill and professionalism, the Company has identified criteria aimed at guaranteeing a composition of the administrative body that is appropriate for the performance of the tasks assigned to it, with the conviction that a balanced and harmonious composition of the Board of Directors is a fundamental prerequisite for effective company management.

Also taking into account its ownership structure, the Company has pursued these objectives through, on one hand, the adoption of its own Policy on diversity in the composition of the Board of Directors and, on the other hand, the guidelines expressed to shareholders upon submission of lists for the appointment of the New Board of Directors.

In particular, (i) in implementation of the provisions of art. 123-*bis*, paragraph 2, letter d-*bis*) of the Consolidated Law on Finance, (ii) in compliance with Principle VII and Recommendation 8 of the CG Code and (iii) at the end of the self-assessment process carried out during the year with the support of the Lead Independent Director at the time, Mr Arnoldi, and the independent external advisor Crisci & Partners

S.r.l. (“**Crisci**”) <sup>(2)</sup> (as defined below), the Company - by resolution dated 18 March 2021 - confirmed and implemented the diversity criteria set forth in the diversity policy initially adopted on 4 April 2018 (the “**Diversity Policy**”).

This Diversity Policy aims to identify the optimal features of the composition of the Board of Directors so that it can effectively fulfil its duties, taking decisions that can concretely benefit from the contribution of a range of qualified, diverse points of view, which enables it to examine issues for discussion from different perspectives. In particular, the Board of Directors (i) pursues the objective of integrating different professional profiles, recognising the importance, for the proper functioning of the administrative body, of the presence of complementary backgrounds and skills, styles and culture, to be combined with gender, age and seniority diversity; and (ii) in compliance with the prerogatives of the Shareholders when designating and appointing its members, it strives for a composition aiming at integrating different managerial and professional profiles, with particular regard to (a) skills and experience in the infrastructure and transport sector and/or in public services, also within entities supervised by Supervisory Authorities in the banking and financial sectors; (b) experience in other listed companies; (c) an understanding of sustainability issues; and (d) knowledge of economic, accounting, financial and legal matters, and that account is also taken of the importance of a balanced presence of independent members and balanced gender representation in compliance with the law and the principles, criteria and recommendations of the Code, as well as the benefits that may derive from the presence of different age ranges, also in terms of multiple perspectives and managerial, institutional and professional experiences.

The Company’s Board of Directors also considers it a priority to maintain and consolidate a collaborative, fair and synergistic climate within the Company, in which each Director is able to express his or her professional skills to the best of his or her ability, enhancing board debate, which is the prerequisite for any informed, well-considered decision.

This being said, the Diversity Policy currently in place establishes that:

- (i) the Board of Directors should be composed of 7 members, the majority of whom are non-executive and independent. Such non-executive and independent members should, in particular, perform an important debate function and contribute to monitoring the choices made by the Executive Directors;
- (ii) the composition of the Board of Directors (a) should require at least 2/5 of the total number of members of the Board of Directors to belong to the least represented gender and (b) must in any case be such so as to ensure gender balance in compliance with provisions of law and the Articles of Association in force from time to time, both at the time of appointment and during the term of

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<sup>2</sup> Crisci is an independent company which (i) does not currently provide any additional services to FNM or to Group companies, (ii) does not have and has not had any economic relations with FNM or with Group companies, (iii) has long-term, significant experience in the field of business-corporate consultancy as well as in the definition and implementation of corporate body self-assessment processes and (iv) has been appointed by the Company to (a) carry out a survey and assessment of the overall effectiveness of the Board's composition in terms of quality/quantity; (b) identify any opportunities for further improvement; and (c) support the Board in the self-assessment process required by the Code.

- office;
- (iii) it is necessary to ensure a balanced combination of different age ranges within the Board of Directors, so as to allow for a balanced plurality of perspectives and managerial and professional experience;
  - (iv) the Directors should be represented by figures with a managerial and/or professional and/or academic and/or public-institutional profile such so as to achieve a mix of different and complementary skills and experiences that may be useful for the consolidation of the FNM group's business. Specifically, the Directors:
    - (a) should, in order of importance:
      - 1) have held managerial positions preferably in the infrastructure and transportation and/or public service sectors and ideally have experience/knowledge of "green" technologies;
      - 2) have experience as Directors in listed companies comparable in complexity to the Company;
      - 3) have acquired a sensitivity to and understanding of social responsibility and ESG factors;
      - 4) have developed skills in corporate finance and budgeting; and
      - 5) have acquired skills in legal, contractual and regulatory matters, also with reference to entities supervised by Supervisory Authorities in the banking and financial sectors;
    - (b) should possess appropriate collaboration, decision-making, inclusiveness and teamwork capabilities, as well as influencing, results-driven and business judgment skills;
  - (v) the Chair should be a person with (a) sufficient experience and authority to ensure, during his or her term of office, the correct, efficient and effective management of the functioning of the Board of Directors, within which he or she has the task of creating a spirit of cohesion, while representing a reliable figure for all Shareholders and stakeholders, (b) authority and institutional visibility at local and national level, as well as (c) adequate expertise with reference to the FNM group's business sectors. Specifically, the Executive Chair should:
    - (a) be a figure with a top professional and value profile, endowed with authority, visibility and credibility at local and national level and in relation to shareholders and stakeholders;
    - (b) be capable of ensuring transparent and proper management of the functioning of the Board of Directors;
    - (c) possess good leadership skills and recognised strategic vision;
    - (d) have gained experience in sectors consistent with those of the group, ideally regulated and pertinent in terms of industrial characteristics, innovation and technology, market size and strategic criticality;
  - (i) the Lead Independent Director should be identified from among the Directors:
    - (a) with managerial experience in companies of comparable size and complexity to FNM;
    - (b) with professional stature and proven independence adequate to represent a point of reference

- and coordination for the non-executive and independent Directors;
- (c) with experience as a Director of listed companies.

In order for the Company's Board of Directors to most effectively perform its duties, in addition to the diversity requirements set forth above, it is deemed essential for all Directors to ensure that they have adequate time available to diligently and responsibly perform their duties.

On 9 March 2022, also on the basis of the results of the periodic self-assessment procedure performed with the support of the Lead Independent Director, the Board of Directors (i) confirmed the diversity criteria already established in the Diversity Policy and (ii) assessed the correct application of the Diversity Policy and the compliance of the composition of the New Board of Directors with the relative criteria.

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In compliance with Principle VII and Recommendation 8, it is specified that, with reference to the New Board of Directors, consisting of 7 Directors, 3/7 of its members belong to the least represented gender.

In addition, the New Board of Directors ensures:

- (i) a balanced mix of different age groups (ranging from 48 to 66);
- (ii) an appropriate mix of managerial, professional, academic and public-institutional profiles, given that:
- (a) 1 Director (Prof. Barbara Lilla Boschetti, Esq.) is a university professor of administrative law and is a lawyer with expertise in the same subjects and also has adequate expertise and experience in transport and public services, as she is a Director of Autostrada Pedemontana Lombarda S.p.A.; (b) 1 Director (Ms Marcella Caradonna) holds a degree in Economics and Business from L. Bocconi University and holds the position of Standing Auditor at ENI S.p.A. and Mediobanca S.p.A., having thus gained experience both in listed companies of a larger size than FNM and in companies with a strong focus on ESG aspects and on the financial and regulatory sectors; (c) 1 Director (Mr Ivo Roberto Cassetta) holds a degree in Architecture from the Polytechnic University of Milan and works as a fixed-term manager at the Municipality of Giussano and is a member of the Lombardy Region Public Building Area Team, having therefore gained experience and expertise in the public services sector; (d) 1 Director (Mr Mauro Miccio) is an expert in aspects relating to the administrative responsibility of entities pursuant to Legislative Decree no. 231/01; (e) 1 Director (Ms Tiziana Bortot) has been a Director of FNM since 2018, having thus developed a deep knowledge of the company and the FNM Group; (f) 1 Director (Mr Gianantonio Arnoldi) has been a Director of FNM since 2015 and is Chief Executive Officer of Concessioni Autostradali Lombarde S.p.A., a company jointly owned by ARIA S.p.A. and ANAS S.p.A., with in-depth knowledge and experience in the infrastructure and transport sector; and (g) 1 Director (Mr Andrea Angelo Gibelli) has been Executive Chairman of FNM since 2015 in addition to being Chairman of CONF SERVIZI, a Confederation formed by ASSTRA and Utilitalia that represents all local public service companies.

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In compliance with Recommendation 8, in order to ensure the effective implementation of diversity criteria the Company - as mentioned previously - adopted the Diversity Policy, the contents of which are described

above.

Moreover, although FNM qualifies as a company with concentrated ownership under the CG Code, during the renewal of the administrative body with the appointment of the New Board of Directors on 30 April 2021, in the explanatory report on the items on the agenda for the above-mentioned Shareholders' Meeting, the Previous Board of Directors provided its guidelines regarding the composition of the administrative body, in line with the provisions of the Diversity Policy.

Finally, although FNM qualifies as a company with concentrated ownership under the CG Code, FNM's shareholders that submitted lists for the appointment of the members of the New Board of Directors stated that they had taken into account the above-mentioned guidelines expressed by the Previous Board of Directors.

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At present, the Issuer does not deem it necessary to introduce further measures aimed at promoting equal treatment and opportunities between genders within the corporate organisation, given the balanced gender composition within the company that ensures de facto equal treatment and opportunities. In fact, about 61% of the workforce and about 35% of the Company's managers are female, testifying to the Company's commitment and attention to equal treatment and gender opportunity issues.

#### **Maximum number of positions that may be held in other companies**

Although Recommendation 15 is only addressed to large companies (as defined in the CG Code), with the Framework Resolution the Board of Directors confirmed - in continuity with the choices adopted in the past - to set at 5 the maximum number of administration and control offices in other companies that can be considered compatible with the effective performance of the office of Director of the Company.

The above limit applies regardless of (i) whether the additional companies where such positions are held are listed or unlisted; (ii) the nature and size of such companies; and (iii) the nature of the role held (e.g. Executive Director, non-executive Director, independent Director, member of one or more committees, etc.). For the purposes of calculating offices, no account is taken of those held at FNM and, if any, at its direct or indirect subsidiaries or investees. However, the Board may allow this limit to be exceeded in special cases.

It should be noted that in any event all Directors are required to devote the necessary time to properly carrying out their duties, regardless of the positions held outside the Group, being well aware of the responsibilities inherent in the office held. Directors are also required to inform the Board of any significant change in the positions they hold in other companies.

It should also be recalled that, with reference to the FNM Directors designated by the majority shareholder the Lombardy Region, the limitations on the maximum number of offices that may be held, set forth in art. 7 of Lombardy Regional Law no. 32 of 10 December 2008, also apply.

The list of offices held by each Director in other companies listed in regulated markets (including foreign markets), in financial, banking, insurance or large-sized companies, is included in Table 3 attached to this Report.

Finally, it should be noted that all members of the Previous Board of Directors and the New Board of

Directors complied and continue to comply with the limits on the maximum number of offices held, as set forth above.

As of the date of this Report, there have been no changes in the composition of the New Board of Directors since the end of the Financial Year.

#### **4.4. Functioning of the Board of Directors (pursuant to art. 123-bis, paragraph 2, letter d), Consolidated Law on Finance)**

The Board of Directors plays a central role in FNM's corporate governance system as it holds powers concerning strategic, organisational and control policies, guiding the Company with a view to the pursuit of sustainable success. Given its role, the Board of Directors meets at regular intervals and operates in a manner that ensures the effective performance of its functions.

This being said, in compliance with Principle IX and taking into account the importance of ensuring efficient board disclosure management, the Board of Directors - by resolution dated 13 May 2021 and (with reference to the Committee for the Designation of the Corporate Bodies of the FNM Group Companies) on 27 May 2021 - (i) adopted the Regulation for the Functioning of the Board of Directors (the "**BoD Regulation**"); (ii) approved the current versions of (a) the Regulation for the Functioning of the Social Responsibility and Ethics Committee, (b) the Regulation for the Functioning of the Control, Risks and Related Party Transactions Committee, (c) the Regulation for the Functioning of the Remuneration Committee; and (iii) adopted the Regulation for the Functioning of the Committee for the Designation of the Corporate Bodies of the FNM Group Companies (the Regulations referred to in point (ii) and (iii) are the "**Committee Regulations**").

Both the BoD Regulation and the Committee Regulations describe and govern, in particular, (i) the relative duties and functions; (ii) the rules on their composition; (iii) the operating and minute-taking rules and the role of the technical secretariat; (iv) the procedures for convening meetings and information flows; (v) the procedures for passing resolutions; and (vi) the procedures for filing documents.

Pursuant to the BoD Regulation and the Committee Regulations, the relative meetings may be called by means of telecommunication that guarantee proof of receipt at least 3 clear calendar days before the meeting date or, in urgent situations, at least one day before that date. The meetings may also be held by means of audio and/or video conferencing systems, provided that (i) the person chairing the meeting is able to ascertain the identity and legitimacy of the persons in attendance, govern the meeting proceedings, and ascertain and announce voting results; (ii) all members are able to adequately hear the presentations on which minutes are being taken; and (iii) those present are able to take part in the discussion and simultaneous vote on the items on the agenda, and to receive, view and transmit documents.

Pursuant to the BoD Regulation, the supporting documentation for Board meetings must be made available to each Director and standing member of the Board of Statutory Auditors at least three calendar days before the day scheduled for the meeting, it being understood that, for extraordinary meetings not included in the annual calendar, convened with less than three calendar days' notice or convened in such a way so as not to enable compliance with the above-mentioned deadline, the documentation will be made available as soon

as possible and in any case before the start of the Board meeting. If, in specific cases, it is not possible to provide the necessary information consistently in advance, the Chair of the Board of Directors, with the support of the Secretary of the Board of Directors, will ensure that adequate and timely information is provided during the Board meetings. The supporting documentation concerning Board meetings is represented by a document (i) that summarises the most significant and relevant points (and which includes any annexes) to be discussed by the Board of Directors and (ii) that, if required with regard to any individual item on the agenda, contains the relative proposed resolution.

The members of the Board of Directors and the relative Board Committees are bound to confidentiality with regard to the documentation, news and information acquired in the performance of their duties, and may not disclose the information and documentation received, even after their term of office has expired, without prejudice to the obligations imposed by law and the judicial and/or supervisory authorities.

Similar provisions apply to the Secretary of the Board of Directors (described below) and the members of the Technical Secretariat (which is under the responsibility of the Head of the Corporate Function).

As regards the actual implementation of Recommendation 11 during the Financial Year and the initial months of 2022, it should be noted that the Company has worked to ensure effective compliance with the above-mentioned deadline for sending pre-meeting documents and, in any case, in the limited number of cases in which it was not possible to provide prior information within the required time limits, the Chair ensured that detailed and adequate information was provided during the Board meetings.

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With reference to Principle XII, the activities carried out by the Board of Directors during the Financial Year are described in Paragraph 4.1 (*Role of the Board of Directors*) above, which should be referred to for the details.

With regard to the time dedicated by each Director, it should be noted that during the Financial Year, the Previous Board of Directors met 4 times, while the New Board of Directors met 13 times. At least 12 meetings are scheduled for the current year, 4 of which have already taken place, including the meeting for the approval of this Report.

The average length of board meetings was approximately 90 minutes.

The meetings were regularly and consistently attended by the Directors; Table 2 in the appendix to this Report shows the summary structure of the Previous Board of Directors and the New Board of Directors in office at the end of the Financial Year, indicating, among other things, the percentage attendance of Directors at the relative meetings.

Taking into account the health emergency linked to the COVID-19 pandemic, during the Financial Year, Board of Directors meetings were always held by videoconference.

#### **4.5. Role of the Chair of the Board of Directors**

Based on well-established practice the Board has decided not to appoint the Executive Committee and the Chief Executive Officer, preferring to grant management powers to the Chair. The Chairman in office at the end of the Financial Year, Mr Andrea Angelo Gibelli, was confirmed by the Shareholders' Meeting on



30 April 2021.

Having said that, in line with Principle X and Recommendation 12 of the CG Code, the BoD Regulation establishes that the Chair - in addition to the powers laid out by law and the Articles of Association, and without prejudice to any powers assigned to him by board resolution - must ensure, with the support of the Secretary of the Board of Directors:

- (i) that the pre-meeting disclosure and additional information provided at meetings are adequate to enable the Directors to act in an informed manner in carrying out their role;
- (ii) that the activities of the Board Committees are coordinated with the activities of the Board;
- (iii) that the Key Management Personnel of the Company and the Group companies, as well as persons or consultants external to the Company, attend Board meetings, also at the request of individual Directors, in order to provide any necessary information on the items on the agenda;
- (iv) that all members of the Board and the Board of Statutory Auditors are able to participate, subsequent to appointment and during their term of office, in initiatives aimed at providing them with adequate knowledge of the sectors in which the group companies operate, business trends and their evolution, also with a view to the sustainable success of the Company, as well as the principles of proper risk management and the reference regulatory and self-regulatory framework (“induction meetings”);
- (v) with the support of the Lead Independent Director - if appointed - the adequacy and transparency of the Board’s self-assessment process (“board review”).

With respect to Recommendation 12 of the Code, during the Financial Year and the first few months of the current fiscal year, the Chair:

- (i) oversaw and supervised to ensure that the pre-meeting disclosure and additional information provided at BoD meetings are adequate to enable the Directors to act in an informed manner in carrying out their roles. In this regard, it should be noted that:
  - (a) with regard to compliance with the deadlines for pre-meeting disclosure, reference should be made to Paragraph 4.4 above (*Functioning of the Board of Directors*);
  - (b) with reference to Board debate and the additional information provided during the meeting, Board meetings were held with the active contribution of all members of the Board, and the Chair ensured that (I) the items on the agenda were given the necessary time for a constructive debate and (II) all necessary in-depth analyses were carried out on the specific items on the agenda;
- (ii) ensured that the activities of the BoD were coordinated with those of the Board Committees, allowing the Committee Chairs to present specific proposals or inform the entire Board of Directors about the activities carried out by the relevant Committees during Board meetings;
- (iii) ensured that, also at the request of individual Directors, Board meetings were attended - *ratione materiae* and in the light of their specific responsibilities - by Key Management Personnel of the Company and the Group, in order to provide any necessary additional details on the items on the agenda, in addition to the General Manager and the Executive in charge, who are consistently invited

to Board meetings;

- (iv) carried out specific induction sessions on 7 and 21 June, 30 July and 16 December 2021, with the participation of the Directors and Statutory Auditors, aimed at providing them with adequate information on the business segments in which the Issuer operates, business trends and their evolution, also with a view to the Issuer's Sustainable Success, as well as the principles of proper risk management and the reference regulatory and self-regulatory framework. In particular, these induction sessions concerned, *inter alia*, the presentation of the main Group companies, the analysis of the 2021-2025 Strategic Plan Guidelines and the in-depth analysis of several corporate transactions. In any case, it should be underscored that, on the one hand, (1) the number of Board meetings, to which, in several cases, participation in the Committees is added, allows the Directors to possess adequate knowledge of the sector in which the FNM Group operates, business trends and their evolution, as well as the reference regulatory framework and, on the other hand, (2) with the aim of enabling the Directors to carry out their role in full awareness, the Chair's Office - also with the support of the competent corporate functions from time to time - (I) constantly updated the Board on the business and market situation as well as on the main regulatory developments and (II) allowed the members of the Board of Directors and the Board of Statutory Auditors to acquire and gradually refine their knowledge of the sector and of the relative regulatory framework in which FNM and the companies belonging to the FNM Group operate, of the risks, the internal control system as well as the Company's organisational structure, and the Group's strategic policies and objectives;
- (v) ensured that the Board of Directors self-assessment process was carried out in an adequate and transparent manner. In this regard, during the Financial Year and in view of the expected renewal of corporate offices with the Shareholders' Meeting on 30 April 2021, on 9 March 2021 the Board carried out the self-assessment on the functioning of the Board itself and its Committees, as well as on their size and composition, and deemed - with a positive assessment from the Independent Directors as well - that the composition of the Previous Board of Directors was able to cope with the operational complexity, activities and business of the Company and its Group. The self-assessment process performed by the Administrative Body during the Financial Year was conducted, with the support of the company Crisci, on the basis of questionnaires and individual interviews, which were held between 7 and 13 January 2021, following preliminary interviews held with, *inter alia*, the Chair of the Board of Directors and the Lead Independent Director. The board evaluation made it possible to assess the operations of the Board of Directors and its Committees, with the aim of identifying any elements that could improve their functioning or provide useful elements for medium/long-term interventions.

The self-assessment process covered, among other things: (i) the size, the balance of roles and the composition of the Administrative Body, also from the point of view of gender representation, and with reference to the professional and managerial characteristics, experience, seniority and gender of the Directors present on the Board, (ii) the number, skills, experience, knowledge of the Directors and the clear understanding of the Board's mandate and responsibilities, (iii) the functioning of FNM's Administrative

Body and, in particular, the scheduling, frequency and duration of meetings, the breakdown of the agenda, the timeliness and comprehensiveness of the information and documentation provided in support of the resolutions to be adopted as well as the quality of the summary documents and the commitment of the Secretariat in preparing and circulating the documentation, (iv) the consistency and adequacy of the deadline established for sending the pre-board disclosure, (v) the functioning of the Committees set up within the Administrative Body of the FNM, the understanding of the objectives and duties of the Committees, and the timeliness, comprehensiveness and clarity of the information and documentation received prior to the meetings as well as the adequacy of in-depth analyses during the respective sessions, the adequacy of resources and support provided by corporate structures; (vi) the management of Board debate, effectiveness and transparency in involving the Board in due time on the most significant and/or extraordinary transactions carried out by the Company and its subsidiaries, including those with related parties, as well as the information provided for the assessment of the general performance of management and its outlook, (vii) the adequacy of the Directors' existing technological equipment and digital skills to ensure the effectiveness and efficiency of the Board's work and that of the Committees, (viii) the adequacy of the organisational, administrative and accounting structure of FNM and its subsidiaries with particular reference to the SCIGR, (ix) the adequate timeliness of the examination and discussion of the 2021-2025 Strategic Plan strategies and Guideline, the monitoring of the progress with respect to the agreed strategies and the 2021-2025 Strategic Plan Guidelines as well as the evolution of scenarios and the medium- and long-term vision, (x) the understanding of ESG issues and their impact on FNM's business as well as the adequate adoption of ESG principles in FNM's policies.

In particular, the self-assessment and board evaluation process - performed during the Financial Year at the meeting of FNM's Administrative Body on 9 March 2021 - was carried out on the basis of the Code and taking into account the 2021-2025 Strategic Plan Guidelines and the important developments related to the Group, including the acquisition of MISE. The results of the self-assessment and board evaluation process for the Financial Year confirmed a positive snapshot with respect to the overall functioning of the Company's Board of Directors and Committees. In particular, the results of the analysis highlight the following: (i) the composition of the Board of Directors was found to be sufficiently adequate in terms of governance and management during its term of office; (ii) the members of the Board of Directors considered that the Board, as a whole, (a) understood its mandate and relative responsibilities, also taking into account stakeholder interests, and analysed and monitored all risks to which the Company is exposed, in the proper order of priority; and (b) showed a strong sense of belonging to the Company, also confirmed by the considerable commitment and effort made in response to the health emergency; (iii) the scheduling of meetings, frequency and the breakdown of their agendas, as well as the quality of the documents presented, were more than adequate for the needs and complexity of the functioning of the Board of Directors; (iv) the Board's dynamics were very positive and the interaction between the Board, the Committees and the managerial functions was open, frequent and constructive, also taking into account information flows that were deemed adequate in terms of breakdown, timeliness and continuity. However, at the same time it was found that the recent extraordinary merger transaction between the Issuer and MISE,

aimed at integrating rail and road mobility in Lombardy, redefining the scope of FNM also in terms of size, as well as the significant future investments planned pursuant to the 2021-2025 Strategic Plan Guidelines and the important developments linked to the Group, imply a new attention to the focus on the composition of the Board and its Committees, in quantitative as well as qualitative terms. Therefore, taking into account the expected appointment of new Corporate Bodies at the Shareholders' Meeting called to approve the financial statements for the year 2020, the self-assessment process then translated into (i) the preparation of guidelines for FNM's Shareholders regarding the quantitative and qualitative composition deemed optimal for the Board of Directors and (ii) the Diversity Policy approved on 18 March 2021.

With regard to the current year, although FNM does not qualify as a large company under the CG Code, an annual self-assessment process was nevertheless conducted at the meeting of FNM's Administrative Body on 9 March 2022.

The results of the self-assessment and board evaluation process for the current financial year confirmed a positive snapshot with respect to the overall functioning of the Company's Board of Directors and Committees. In particular, the results of the analysis show that: (i) the composition of the Board of Directors was found to be adequate - with respect to the Company's operations and the suitability of the diversity criteria, including gender diversity, applied by the Company in the composition of the Board of Directors - to ensure adequate expertise and professionalism of the Company's Directors; (ii) the number and expertise of the non-executive and independent Directors are such so as to ensure the relevance of their contribution to the Board's decision-making process and effective monitoring of management; (iii) the independence requirements set forth in the Code are fully applied and the Board of Directors identified the qualitative and quantitative criteria to assess the significance of business, financial and professional relationships and additional remuneration; (iv) the information and documentation provided in support of Board meetings are complete and timely, so as to enable the members to act "in an informed manner" when carrying out their duties as Directors; (v) the information provided by the Chair during Board meetings is adequate and timely, and the participation of the Company's and Group's managers in charge of the relevant corporate departments, in agreement with the Chief Executive Officer, is recurring, in order to provide adequate information on the issues on the agenda; (vi) the size, composition and actual functioning of the Board Committees are adequate and the coordination of the activity of the Committees with investigative, proposal and advisory functions with the activity of the Board of Directors is also adequate; (vii) the information and documentation received prior to Committee meetings is almost unanimously considered timely and complete; (viii) the information received during Board meetings from the Chair concerning the activities carried out in exercising delegated powers and the most important economic, financial and asset operations carried out by the Company or its subsidiaries, including those with related parties, as well as the information provided for the assessment of the general performance of operations and their outlook, is considered positive; (ix) the organisational, administrative and accounting structure of FNM and its subsidiaries, particularly with reference to the SCIGR, was deemed adequate; (x) a positive opinion was given on the functionality of the remuneration of Executive Directors and Key Management Personnel in pursuing the Company's Sustainable Success and its consistency with FNM's remuneration policy and with the

indications of the Code.

The Chair always ensured that the Board was informed of interactions with Shareholders and the various stakeholders involved as well as the market in general.

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With the Framework Resolution, the Board of Directors of the Issuer appointed Rosa Laria, attorney, as Secretary of the Board of Directors.

In compliance with Recommendation 18 of the Code, the Framework Resolution and the BoD Regulation attribute the power to the Board of Directors to approve, at the proposal of the Chair, the appointment and removal of the Secretary, as well as the determination of the relevant requirements.

In this regard, the Framework Resolution and the BoD Regulation establish that the Secretary must meet the following requirements:

- (i) have a master's degree in economic-legal subjects;
- (ii) having acted as secretary of the Board of Directors or of the internal committees of listed issuers for at least 3 years; and/or
- (iii) have at least 3 years' experience in law firms specialising in corporate law and corporate governance issues, or have held senior positions in the legal departments of listed issuers for the same period.

The Secretary reports hierarchically and functionally to the Board and, on its behalf, to the Chair.

During the year and in the initial months of the current financial year, the Secretary supported the Chair's activities, especially with regard to the preparation of Board and Shareholders' meetings, the drafting of relative resolutions, the drafting of minutes of the relative meetings, the adequacy, comprehensiveness and clarity of information flows to the Board, communication with Directors and the organisation of board inductions and reviews. Moreover, the Secretary assisted the Chief Executive Officer in his dealings with the Board and provided - with independence and impartial judgement - assistance and advice to the Board on any aspect relevant to the proper functioning of the corporate governance system. Finally, the Secretary coordinated the Committee secretariat in order to rationalise and streamline the flow of information between the Committees and the Board, as well as to manage the relative agendas in an effective and consistent manner.

#### **4.6. Executive Directors**

As already mentioned in Paragraph 4.5 (*Role of the Chair of the Board of Directors*), the Board decided - following well-established practice - not to appoint the Executive Committee and the Chief Executive Officer, preferring instead to grant management powers to the Chair.

These powers were granted by Board of Directors resolution on 5 May 2021.

The Chair is not the Controlling Shareholder of the Issuer but qualifies as the Chief Executive Officer of FNM, being primarily responsible for the management of the Company. In compliance with the requirements of Recommendation 4 of the CG Code, it is specified that the decision to grant the Chair, Mr Andrea Angelo Gibelli, significant management and power delegations, as well as the role of Chief Executive

Officer, is justified by the fact that the Chair's profile (i) ensures the necessary experience and authority in order to guarantee proper, efficient and effective management of the functioning of the Board of Directors, while also representing a guarantee for all Shareholders and stakeholders; (ii) has adequate experience and authority, also with regard to institutional relations; and (iii) has adequate expertise with regard to the various FNM Group business sectors.

This being said, without prejudice to the power of representation of the Company set forth in the Articles of Association, as a result of the resolution passed on 5 May 2021, the Chair is vested with the following powers:

- (i) representing the Company both in Italy and abroad in relations with institutions, public and private bodies, trade unions and any natural or legal person;
- (ii) supervising the strategic and industrial planning activities of the FNM Group, seeing to their implementation and possible updating, as well as checking their state of implementation;
- (iii) preparing the budget and annual and multi-year plans for approval by the Board of Directors;
- (iv) promoting and supporting legal actions on behalf of the Company, the value of which does not exceed EUR 1,000,000.00, in any court and at any level, before any jurisdiction, appointing for this purpose attorneys and representatives for individual disputes and granting them all necessary powers, including that of settling, entering into conciliation agreements, withdrawing sums, waiving acts and accepting the relative waivers, as well as lodging challenges and appeals;
- (v) representing the Company in legal proceedings, of every order and degree, on employment law matters concerning managerial staff, with the power to enter into conciliation agreements, settle, accept waivers of claims and actions, all within the limit of EUR 500,000.00 per individual transaction;
- (vi) carrying out all acts of ordinary administration involving a maximum expenditure commitment per individual act not exceeding EUR 1,000,000.00;
- (vii) making decisions regarding the functioning of the Company, hiring, setting compensation, promoting, imposing disciplinary measures and terminating executive personnel of the Company, all within the scope of the Company's budget and top-level organisation charts approved by the Board of Directors;
- (viii) representing the Company in shareholders' meetings of companies in which FNM invests or in which it has the voting right, and issuing proxies to third parties to represent the shares or quotas held by the Company in such meetings, in all cases taking part in the relative votes and resolutions, all with promise of full ratification and approval;
- (ix) representing the Company at banks, credit institutions, financial institutions, public and private banks, Poste Italiane S.p.A, as well as carrying out, jointly with the Executive in charge or with another representative appointed by the latter, any receivable or payable banking transaction, including, by way of example, applications for bank credit lines, the opening and closing of current accounts, the issue of cheques, withdrawals and deposits of sums, the endorsement of cheques or securities to order, the opening and closing of safety deposit boxes, the signing of contracts for collection via POS and/or electronic channels;

- (x) asking third parties, including government administrations, to issue sureties (bank or insurance) or any other personal guarantee or collateral in favour of the Company;
- (xi) issuing to third parties guarantees (bank or insurance) or any other guarantee the value of which does not exceed EUR 1,000,000.00 per individual act;
- (xii) entering into lease agreements, including finance leases, relating to any kind of asset, with group companies the value of which does not exceed EUR 500,000.00 per individual act;
- (xiii) taking care of privacy compliance as per EU Regulation 2016/679 and Legislative Decree 196/2003;
- (xiv) within the scope of the powers conferred, appointing and removing attorneys for individual acts or categories of acts.

As a result of the Board resolution adopted on 15 July 2021, the Chief Executive Officer is vested with the following powers:

- (i) identifying, promoting, supervising and coordinating strategic initiatives for the FNM Group in the motorway sector;
- (ii) identifying, promoting, supervising and coordinating activities to enhance the value of the FNM Group's assets relating to the motorway infrastructure;
- (iii) supervising and coordinating the implementation of the urban and suburban regeneration project called "FILI".

For the sake of comprehensiveness, it should be pointed out that the Chair and the Chief Executive Officer work with the operational support of the General Manager (Mr Marco Giovanni Piuri).

#### **Executive Committee**

An Executive Committee has not been formed.

#### **Disclosure to the Board**

In compliance with art. 2381 of the Italian Civil Code, art. 150 of the Consolidated Law on Finance and art. 24 of the Articles of Association, the Chair and the Chief Executive Officer report promptly - and in any case at least on a quarterly basis - to the Board and the Board of Statutory Auditors on the activities carried out and on the most significant economic and financial transactions performed by the Company or its subsidiaries.

#### **Other Executive Directors**

Please refer to what is set forth above.

### **4.7. Independent Directors**

Also in compliance with Recommendation 6 of the Code, the procedure usually followed by the Board in order to check independence establishes that the fulfilment of the independence requirements set out in the Consolidated Law on Finance and in the Code must be confirmed by the Director upon appointment at the Shareholders' Meeting and assessed and, if necessary, confirmed by the Board (i) during the first meeting held after such appointment and (ii) subsequently, at least once a year, based on an assessment inspired by the principle of substance over form.

The Previous Board of Directors included three Directors - Gianantonio Arnoldi, Tiziana Bortot and Mirja

Cartia d'Asero - who complied with the independence requirements set out in art. 148 of the Consolidated Law on Finance and art. 3 of the Code, as most recently assessed by resolution of the Board of Directors on 9 March 2021.

With regard to the New Board of Directors, it should be specified that, upon appointment at the Shareholders' Meeting on 30 April 2021, the Directors Gianantonio Arnoldi, Marcella Caradonna, Tiziana Bortot, Ivo Roberto Cassetta, Barbara Lilla Boschetti and Mauro Miccio declared their independence. During the year, the Board of Directors positively assessed their fulfilment of independence requirements on 5 and 13 May 2021 and, on the same date, the positive outcome of this assessment was disclosed to the market by means of a press release issued pursuant to Recommendation 10 of the CG Code as well as art. 144-*novies* of the Issuers' Regulation.

Subsequently, on 15 July 2021 - following the assignment to Mr Ivo Roberto Cassetta of specific powers concerning the development of the activities of the FNM Group in the motorway sector and the implementation of the urban and suburban regeneration project called FILI - (i) he qualifies as Chief Executive Officer and (ii) he is no longer independent, as announced to the market on the same date.

During the current financial year, in compliance with Recommendation 6 of the Code, on 9 March 2022 the New Board of Directors positively assessed the continuing fulfilment of the independence requirements by Directors Gianantonio Arnoldi, Marcella Caradonna, Tiziana Bortot, Barbara Lilla Boschetti and Mauro Miccio.

With reference to the provisions contained in Recommendation 5 of the Code, it should be specified that - although the Issuer does not qualify as a large company pursuant to the Code - the New Board of Directors is composed of 5 Directors who qualify as independent, out of the total number of 7 members of the Board. Therefore, their number and powers are adequate for the Company's needs, for the functioning of the Board and for the establishment of the Board Committees.

As mentioned in Paragraphs 4.5 (*Role of the Chair of the Board of Directors*) and 4.6 (*Executive Directors*), the Chair of the Board of Directors does not qualify as an Independent Director and is not a member of any Committee.

With reference to Recommendation 7 of the Code, by means of the Framework Resolution and the BoD Regulation, the New Board of Directors - at the beginning of its term of office - identified materiality thresholds and qualitative criteria to assess the significance of relationships that compromise, or may compromise, the independence of a Director.

With respect to the quantitative parameter, also taking into account the relevant provisions of the Instructions to the Regulation of Borsa Italiana S.p.A. (February 2010 version), the independence requirement is deemed respected (at the time of the first assessment and thereafter) if the annual fee for any professional services or the total value of significant commercial and financial relations pursuant to letter c) of Recommendation 7 of the Code or the amount of additional remuneration - deriving from economic, professional or commercial relations with the Company, its subsidiaries (including joint ventures) or its parent company - with respect to the fixed compensation for the role and that established for participation in the Committees does not exceed:



- (i) 5% of the annual turnover of the company or body in which the party concerned has control or is a significant representative or the professional firm or consultancy firm of which he/she is a partner; or in any case
- (ii) the amount of EUR 200,000.00 (to be understood as the annual consideration for professional services rendered by the company or entity of which the party in question has control or is a significant representative, or by the professional firm or consulting company of which he or she is a partner, or as the total value of relevant commercial and financial relationships).

With respect to the qualitative parameter, the independence requirement is considered respected (on initial assessment and afterwards) if:

- (i) the relevant commercial/financial relationship is not strategic for the Company and/or its subsidiaries (including joint ventures) and/or the parent company;
- (ii) the professional relationship does not concern strategic consultancy (in favour of the Company and/or its subsidiaries (including joint ventures) and/or the parent company and/or involve a role in the management or decision-making process (of the Company and/or its subsidiaries, including joint ventures, and/or the parent company).

In order to assess independence, the Board may in any event, in relation to the specific situations regarding each Director, consider any further element deemed useful and appropriate, adopting additional and/or partially different criteria that favour substance over form, providing adequate disclosure in the Corporate Governance Report; in particular, those relationships which, although not significant from an economic perspective, are particularly relevant for the prestige of the Director concerned, may also be taken into account; to this end, each Director must promptly inform the Board of the existence of any commercial or professional relationships with the Company, its subsidiaries (including joint ventures) and the parent company, so that the Board can assess their relevance regardless of their economic value.

As already mentioned above, during the Financial Year the Board positively assessed the fulfilment of independence requirements by the Directors who qualified as independent, using all information available, by assessing all the circumstances that appear to compromise the independence set forth in the Consolidated Law on Finance and the Code and by applying all the criteria set out by the Code to assess the independence of the Directors, on 5 and 13 May 2021 and, on the same date, the positive outcome of this assessment was announced to the market by means of a press release issued pursuant to Recommendation 10 of the CG Code as well as art. 144-*novies* of the Issuers' Regulation. On 15 July 2021, it was deemed that Director Cassetta no longer met independence requirements.

With regard to the current financial year and in compliance with Recommendation 6 of the CG Code, the fulfilment of independence requirements by the Directors qualified as independent was positively assessed by the Board of Directors on 9 March 2022, using all information available, by assessing all circumstances that appear to compromise the independence established by the Consolidated Law on Finance and the Code and by applying all criteria set out in the Code to assess the independence of the Directors.

For the purposes of the above assessments, in compliance with Recommendation 6 of the Code, all

Directors provided necessary and useful elements for the assessments.

During the Financial Year, the Board of Statutory Auditors took part in the verification of the proper application of the assessment criteria and procedures adopted by the Board of Directors for the assessment of Directors' independence pursuant to art. 149, paragraph 1, letter c-bis) of the Consolidated Law on Finance and Recommendation 6 of the Code.

Although FNM does not qualify as a large company under the CG Code, the Issuer's Independent Directors met 2 times during the Financial Year in the absence of the other Directors. The meetings were coordinated, the first one by the then Lead Independent Director, Mr Arnoldi, and the second one by Mr Mauro Miccio, and were focused respectively on the self-assessment of the Independent Directors, the instatement of the new Lead Independent Director and the approval of the Regulation of the Lead Independent Director.

Each of the Independent Directors on the New Board of Directors has indicated that he/she qualifies as such, and has undertaken to communicate any subsequent change in the information provided.

### **Lead Independent Director**

The Board of Directors, acknowledging the importance of adapting to the principles established by the provisions of the corporate governance code, during the meeting of 1 June 2018, resolved to appoint Independent Director Gianantonio Arnoldi as Lead Independent Director of the Company.

Following the appointment of the corporate officers on 30 April 2021, in accordance with Recommendation 13 of the Code, the New Board of Directors approved the assignment of the position of Lead Independent Director to Independent Director Mr Mauro Miccio.

The Lead Independent Director has his/her own set of operating rules.

In particular, the Lead Independent Director has been granted the following powers:

- (i) acting as a point of reference and coordination for the requests and contributions of Non-Executive Directors and, in particular, Independent Directors;
- (ii) coordinating *ad hoc* meetings of Independent Directors only, by ensuring, among other things, that the Independent Directors meet at least once per year in the absence of the other Directors.

Since the relative appointment, the Lead Independent Director (i.e., Director Arnoldi and, subsequently, Director Miccio) acted as a link between the Company's non-executive and, in particular, independent directors.

During the current year, the Independent Directors met once to assess the results of the board evaluation.

## **5. HANDLING OF CORPORATE INFORMATION**

In compliance with the provisions of Recommendation 1 of the Code, the Company has adopted a special procedure for the internal management and external disclosure of inside information - dated 29 March 2006 and most recently amended on 13 May 2019.

This procedure governs the procedures for the handling, internal management and external communication of corporate documents and information concerning the Company, including (i) "regulated information" pursuant to art. 113-*ter* of the Consolidated Law on Finance, meaning as such that which must be published by listed issuers in application of the legislation, including regulations, in force; (ii) "relevant information"

as identified by the Guidelines on the management of inside information and investment recommendations implementing EU Regulation 596/2014, adopted by CONSOB on 13 October 2017; and (iii) “inside information” pursuant to art. 7 of EU Regulation 596/2014 (“price sensitive”), i.e. precise information that is not in the public domain, directly or indirectly concerning the Company and/or its financial instruments, which - if made public - could significantly affect the prices of its financial instruments (including derivatives).

This procedure not only sets out the obligation for Directors, Statutory Auditors and in general all employees, collaborators and consultants to keep confidential the documents and information, and in particular those that can be classified as “price sensitive”, acquired in the performance of their tasks and duties (if they have not already been disclosed to the public), and to scrupulously comply with the communication procedure, but also defines the different responsibilities concerning the approval and disclosure of relevant information, establishing in particular that:

- (i) announcements concerning the approval of the draft financial statements, the consolidated financial statements, the half-yearly financial report as well as any interim management reports are approved by the Board;
- (ii) announcements relating to the calendar of corporate events and those relating to the filing of documents on the Company’s website and making them available on the authorised storage mechanism are approved by the Head of the Finance and Development Department;
- (iii) all other announcements are approved by the Chair of the Board, or in his/her absence or impediment by the General Manager.

The above-mentioned procedure establishes that the Company may delay, under its own responsibility, the public disclosure of inside information, provided that all the conditions set out by the European and national laws and regulations applicable from time to time are met.

The Company has established a “*Register of persons with access to inside information*”, which is maintained by the Investor Relations Manager. The register includes persons who have access, on a permanent or occasional basis, to inside information by reason of their work or profession or the functions they perform on behalf of the Company. The provisions relating to this register have been updated in light of the new rules introduced by EU Regulation 596/2014 and its implementing rules.

The Company has also adopted a regulation (the “Internal Dealing Code”) governing Internal Dealing communications (i.e. transactions, on shares of the Company and other financial instruments linked to them, carried out by “relevant persons”) - dated 29 March 2006 and most recently amended on 13 May 2019.

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

With reference to Principle XI and Recommendation 16 of the CG Code, as of the date of this Report, the Company has established the following Board Committees with proposal and advisory functions:

- (i) the **Control, Risks and Related Party Transactions Committee**, consisting of 3 Independent Directors;

- (ii) the **Remuneration Committee**, consisting of 3 Independent Directors;
- (iii) the **Social Responsibility and Ethics Committee**, consisting of 3 Independent Directors;
- (iv) the **Committee for the Designation of the Corporate Bodies of the FNM Group Companies**, consisting of 2 Independent Directors and the Chair of the Board of Directors.

The composition of the Board Committees in office until the date of the Shareholders' Meeting of 30 April 2021 was as follows:

- (i) **Control, Risks and Related Party Transactions Committee:** Gianantonio Arnoldi (as Chairman), Mirja Cartia d'Asero and Tiziana Bortot, who all meet the independence requirements set out in the Consolidated Law on Finance and the Code;
- (ii) **Remuneration Committee:** Mirja Cartia d'Asero (as Chairwoman), Gianantonio Arnoldi and Tiziana Bortot, who all meet the independence requirements set out in the Consolidated Law on Finance and the Code;
- (iii) **Social Responsibility and Ethics Committee:** Gianantonio Arnoldi (as Chairman), Mirja Cartia d'Asero and Tiziana Bortot, who all meet the independence requirements set out in the Consolidated Law on Finance and the Code.

The composition of the Board Committees in office at the date of this Report following the appointment of the New Board of Directors is as follows:

- (i) **Control, Risks and Related Party Transactions Committee:** Gianantonio Arnoldi (as Chairman), Barbara Lilla Boschetti and Tiziana Bortot, who all meet the independence requirements set out in the Consolidated Law on Finance and the Code;
- (ii) **Remuneration Committee:** Marcella Caradonna (as Chairwoman), Gianantonio Arnoldi and Tiziana Bortot, who all meet the independence requirements set out in the Consolidated Law on Finance and the Code;
- (iii) **Social Responsibility and Ethics Committee:** Barbara Lilla Boschetti (as Chairwoman), Marcella Caradonna and Mauro Miccio, who all meet the independence requirements set out in the Consolidated Law on Finance and the Code;
- (iv) **Committee for the Designation of the Corporate Bodies of the FNM Group Companies:** Gianantonio Arnoldi (as Chairman) and Tiziana Bortot, who both comply with the independence requirements set out in the Consolidated Law on Finance and the Code, and Andrea Angelo Gibelli, Chairman of the Board of Directors.

For information regarding the composition of the Board committees in office as of 30 April 2021 and as of the end of the Financial Year, see Table 2 in the Appendix to this Report.

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The Committees set up within the Board have investigative, proposal and/or advisory duties with respect to the Board of Directors concerning those issues that require in-depth examination, so that an effective and informed comparison of opinions can be carried out.

In carrying out their functions, the Committees have the right to access the information and corporate functions necessary for the performance of their duties and may rely on external consultants at the Company's expense, within the limits of the budget approved by the Board of Directors.

The Committees regularly report to the Board on their activities and, in accordance with Recommendation 11, have adopted their own operating rules (*i.e.* the Committee Regulations). Specifically, the Committee Regulations establish that:

- (i) the Chair (a) coordinates and represents the Committee; (b) sets the agenda for meetings; (c) convenes and presides over meetings, coordinating their proceedings; (d) reports to the Board at the next possible meeting, on behalf of the Committee, on significant matters considered by the Committee at meetings;
- (ii) each Committee is assisted by a technical secretariat, which is under the responsibility of the Head of the Corporate Function, and whose functions consist of (a) supporting the Committee in preparing the necessary documents for Committee meetings and ensuring that they are circulated; (b) safeguarding the documents relating to the Committee's activities; (c) handling correspondence to and from the Committee; (d) providing technical support for the Committee's work; and (e) taking care of taking minutes of the meetings; and
- (iii) the Committee members, the members of the Technical Secretariat and those who take part in the Committees are bound by an obligation of confidentiality concerning the news and information acquired in the performance of their duties.

As regards the actual implementation of Recommendation 11, during the financial year and the first few months of financial year 2022, it should be noted that the Company and the Committee Chairs made every effort to ensure that the above-mentioned deadline for convening meetings was met. In any case, in the limited number of cases in which it was not possible to provide prior information within the prescribed timeframe, the Committee Chairs ensured that detailed and adequate information was provided during Committee meetings.

With reference to Recommendation 16, as explained in greater detail below, FNM did not consider it appropriate to set up the Appointments Committee - attributing the relative responsibilities to the Board of Directors - given the particular shareholder structure of the Company and considering that the appointment of the members of the Administrative Body by the controlling shareholder the Lombardy Region is governed by Lombardy Regional Law no. 32 of 10 December 2008.

In any event, despite the fact that the Company does not qualify as a large company and is a concentrated ownership company within the meaning of the Code, FNM complies with the provisions of Recommendation 16 of the CG Code, both in terms of the "weight" of the number of Independent Directors within the Board of Directors, and in terms of setting aside specific space during Board meetings for the performance of the functions assigned to the Appointments Committee pursuant to the Code.

The composition of the Committees in office as at the date of the Shareholders' Meeting of 30 April 2011 and those in office as at the date of this Report following the appointment of the Board of Directors was

determined by the Board of Directors by assessing the requirements of skill and experience of the relevant members and avoiding an excessive concentration of offices, all in compliance with Recommendation 17 of the Code.

As already mentioned above, the Issuer set up (i) the Social Responsibility and Ethics Committee and (ii) the Committee for the Designation of the Corporate Bodies of the FNM Group Companies.

The Social Responsibility and Ethics Committee performs the following proposal and advisory duties:

- (i) supervising the activity of drafting the annual NFS, providing opinions to the corporate function in charge of Corporate Social Responsibility (“**CSR**”);
- (ii) reviewing and monitoring the 2021-2025 Strategic Plan as concerns sustainability aspects;
- (iii) defining, with the company’s CSR function, the environmental and social responsibility policies of the FNM group;
- (iv) monitoring national initiatives on environmental and social responsibility and participation in them by FNM Group companies in order to consolidate their reputation;
- (v) promoting the dissemination of the Code of Ethics and Conduct and the Anti-Corruption Policy to all recipients in order to ensure their knowledge of them;
- (vi) proposing to the Board of Directors the updating of the Code of Ethics and Conduct and the Anti-Corruption Policy in order to adapt them to the evolution of the law and regulations and national and international best practices.

In carrying out the above tasks and activities, the Social Responsibility and Ethics Committee supports the Board of Directors in the analysis of relevant issues for the generation of long-term value pursuant to Recommendation 1 of the Code.

The Committee for the Designation of the Corporate Bodies of the FNM Group Companies performs the following proposal and advisory tasks:

- (i) submitting to the Board of Directors of FNM candidates for the corporate bodies (Board of Directors and Board of Statutory Auditors) of the subsidiaries and investees of FNM;
- (ii) drawing up and submitting to the Board of Directors proposals concerning the limits and prohibitions on the total number of offices that may be held by directors and statutory auditors of FNM’s subsidiaries;
- (iii) formulating opinions to the Board of Directors of FNM on the size and composition of the Board of Directors of the subsidiaries of FNM and expressing recommendations on the managerial and professional figures to be included on such board.

With regard to the functioning and role of (i) the Remuneration Committee, reference is made to Paragraph 8.2 (*Remuneration Committee*) below and (ii) the Control, Risks and Related Party Transactions Committee, reference is made to Paragraph 9.2 (*Control, Risks and Related Party Transactions Committee*) below.

The Social Responsibility and Ethics Committee met 4 times during the Year, of which 2 in its composition prior to the Shareholders’ Meeting of 30 April 2021 and 2 following the appointment of the New Board of

Directors. The meetings were always attended by all members. At 1 of the above-mentioned meetings, the Committee met in an expanded composition with the members of the corporate functions involved in the Company's annual NFS.

During the Financial Year, Social Responsibility and Ethics Committee meetings were held by audio-videoconference as allowed by the Prime Ministerial Decree of 8 March 2020 and subsequent regulatory measures, including Legislative Decree no. 18/2020, issued to address the COVID-19 epidemiological emergency, which laid out strict rules regarding the activities to be carried out in the presence of more than one person.

Committee meetings concerned, *inter alia*, the following topics: (i) the presentation of the 2020 Sustainability Report-NFS; (ii) the 2020 Sustainability Report-NFS Audit Plan; (iii) the 2021-2023 Compliance Plan and the 2020 Compliance Plan Annual Report; (iv) the annual report of the Committee; (v) the instatement of the Committee and the adoption of the relative Committee Regulation; (vi) the presentation of the activities of the CSR-Sustainability Function; (vii) the presentation of the timetable of activities relating to the 2021 Sustainability Report-NFS; and (v) the report of the Internal Audit and Risk Management Function on how the Code of Ethics and Conduct and Anti-Corruption are managed.

It should be noted that the Social Responsibility and Ethics Committee has its own specific annual budget of EUR 25,000.00 (twenty-five thousand/00) per year, as laid out in the Framework Resolution.

Social Responsibility and Ethics Committee meetings held during the Financial Year were duly attended by the Chair of the Board of Statutory Auditors and/or by a Statutory Auditor delegated by him/her.

The Committee for the Designation of the Corporate Bodies of the FNM Group Companies met 3 times during the Financial Year, all following the appointment of the new Board of Directors. The meetings were always attended by all members.

During the Financial Year, Committee for the Designation of the Corporate Bodies of the FNM Group Companies meetings were held by audio-videoconference as allowed by the Prime Ministerial Decree of 8 March 2020 and subsequent regulatory measures, including Legislative Decree no. 18/2020, issued to address the COVID-19 epidemiological emergency, which laid out strict rules regarding the activities to be carried out in the presence of more than one person.

The meetings of the Committee for the Designation of the Corporate Bodies of the FNM Group Companies concerned, *inter alia*, the following topics: (i) adoption of the Committee's Regulation; (ii) identification of the members of the corporate bodies of MISE to be appointed by the Board; (iii) identification of the members of the corporate bodies of Trenord and FERROVIENORD to be appointed by the Board.

It should be noted that the Committee for the Designation of the Corporate Bodies of the FNM Group Companies has its own specific annual budget of EUR 25,000.00 (twenty-five thousand/00) per year, as laid out in Board resolution of 27 May 2021.

The Chair of the Board of Statutory Auditors and/or a Statutory Auditor delegated by him/her regularly attended the meetings of the Committee for the Designation of the Corporate Bodies of the FNM Group Companies held during the Financial Year.

## 7. SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS - APPOINTMENTS COMMITTEE

### 7.1. Self-Assessment and Succession of Directors

In compliance with Principle XIX and Recommendations 21 and 22 of the Code, the Board conducts periodic evaluations of the effectiveness of its activities and composition, based on self-assessment procedures the implementation of which it oversees. In particular, the self-assessment procedures and process concern the size, composition and actual functioning of the Board of Directors and its Committees, also taking into account its role in defining strategies and monitoring management performance and the adequacy of the internal control and risk management system (“**SCIGR**”).

In this regard, with the Framework Resolution, the Issuer decided that - despite the fact that Recommendation 22 requires companies with concentrated ownership such as FNM to perform the self-assessment at least every 3 years, in view of the appointment of the Board of Directors - in compliance with best practices on corporate governance and with the operating practice followed by the Issuer, the board self-assessment process would be carried out on an annual basis, also by using independent consultants.

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As anticipated, the self-assessment process has been conducted on an annual basis; in particular, it was last conducted during the Financial Year on 9 March 2021 and with reference to the current financial year on 9 March 2022.

In particular, the self-assessment and board evaluation process - carried out during the Financial Year, with the support of Crisci and on the basis of questionnaires and individual interviews, carried out following preliminary interviews with the Chair of the Board of Directors and the Lead Independent Director, which were examined during the FNM Board of Directors meeting on 9 March 2021 - focused on the following subjects: (i) the size, the balance of roles and the composition of the Administrative Body, also from the point of view of gender representation, and with reference to the professional and managerial characteristics, experience, seniority and gender of the Directors present on the Board, (ii) the number, skills, experience, knowledge and available time of the Directors and the clear understanding of the Board’s mandate and responsibilities, (iii) the functioning of FNM’s Administrative Body and, in particular, the scheduling, frequency and duration of meetings, the breakdown of the agenda, the timeliness and comprehensiveness of the information and documentation provided in support of the resolutions to be adopted as well as the quality of the summary documents and the commitment of the secretariat in preparing and circulating the documentation, (iv) the consistency and adequacy of the deadline established for sending the pre-board disclosure, (v) the functioning of the Committees set up within the Administrative Body of the FNM, the understanding of the objectives and duties of the Committees, the timeliness, comprehensiveness and clarity of the information and documentation received prior to the meetings as well as the adequacy of in-depth analyses during the respective sessions, the adequacy of resources and support provided by corporate structures; (vi) the management of Board debate, effectiveness and transparency in involving the Board in due time on the most significant and/or extraordinary transactions carried out by the Company and its



subsidiaries, including those with related parties, as well as the information provided for the assessment of the general performance of management and its outlook, (vii) the adequacy of the Directors' existing technological equipment and digital skills to ensure the effectiveness and efficiency of the Board's work and that of the Committees, (viii) the adequacy of the organisational, administrative and accounting structure of FNM and its subsidiaries with particular reference to the SCIGR, (ix) the adequate timeliness of the examination and discussion of the 2021-2025 Strategic Plan strategies and Guideline, the monitoring of the progress with respect to the agreed strategies and the 2021-2025 Strategic Plan Guidelines as well as the evolution of scenarios and the medium- and long-term vision, and (x) the understanding of ESG issues and their impact on FNM's business as well as the adequate adoption of ESG principles in FNM's policies.

No additional board reviews were carried out during the Financial Year subsequent to the 30 April 2021 Shareholders' Meeting and the appointment of the New Board of Directors. With regard to the current financial year, the self-assessment process, carried out on 9 March 2022, focused on (i) the size and composition of the Administrative Body, its adequacy with respect to FNM's operations, the suitability of the diversity criteria, including gender criteria, applied by the Company in the composition of the Board of Directors to ensure its adequate skill and professionalism; (ii) the suitability of the number and responsibilities of the Non-Executive Directors and Independent Directors to ensure that they have significant weight in the adoption of Board resolutions and to guarantee effective monitoring of management; (iii) the full application of the independence requirements set out in the CG Code for Independent Directors and the identification of qualitative and quantitative criteria to assess the significance of commercial, financial and professional relationships and additional remuneration; (iv) the holding of meetings periodically, and in any case at least once a year, between the Independent Directors, in the absence of the other Directors, to assess issues considered of interest with respect to the functioning of the Board of Directors and company management; (v) the assessment of the actual functioning of the Administrative Body of FNM and, in particular, the comprehensiveness and timeliness of the information and documentation provided in support of Board of Directors meetings; (vi) the consistency, adequacy and compliance with the deadline identified by the Company of at least 5 calendar days prior to each Board meeting for sending the relative documentation; (vii) the initiatives aimed at providing the Company with adequate knowledge of the business sectors in which FNM operates, business trends and their evolution, also with a view to the Company's Sustainable Success, as well as the principles of proper risk management and the reference regulatory and self-regulatory framework; (viii) the size, composition and actual functioning of the Board Committees and the adequate coordination of the activity of the Committees with the activity of the Board of Directors; (ix) the timeliness and comprehensiveness of the information and documentation received prior to Committee meetings and participation in such meetings of the Company's and Group's executives in charge of the corporate functions with responsibility for the matter in order to provide appropriate in-depth analyses on the items on the agenda; (x) the adequacy of the information received during Board meetings from the Chair concerning the activities carried out in the exercise of delegated powers and the most important economic, financial and asset transactions carried out by the Company or its subsidiaries with strategic importance, including those with related parties, as well as the

information provided in order to assess the general performance of operations and their outlook; (xi) the definition of criteria for assessing the strategic importance of FNM's subsidiaries; (xii) the adequacy of the organisational, administrative and accounting structure of FNM and its subsidiaries with strategic importance, particularly with reference to the internal control and risk management system; (xiii) the definition of the general criteria and/or fixed limits on the maximum number of management and control positions in other companies that may be considered compatible with the effective performance of the role of director of FNM; (xiv) the need or otherwise to define an Executive Director succession plan; (xv) the advisability or otherwise of setting up a special Appointments Committee; (xvi) the ability of the remuneration of Directors and Key Management Personnel to contribute to the corporate strategy, the pursuit of long-term interests and the sustainability of the Company and to retain and motivate people with the skills and professionalism required by the role held in the Company; (xvii) the ability of the remuneration of Directors and Key Management Personnel to contribute to the pursuit of the Company's Sustainable Success and the fact that it is aligned with the FNM Remuneration Policy and with the indications of the Code (also specifically with regard to (a) the balance between fixed and variable components; (b) the maximum limits on the disbursement of variable components; (c) the achievement of performance objectives, including non-financial objectives; (d) the deferment of their payment; (e) the right of restitution; and (f) severance pay).

The self-assessment process conducted during the Financial Year revealed the following: (i) the composition of the Previous Board of Directors was found to be sufficiently adequate in terms of governance and management during its term of office; (ii) the members of the Previous Board of Directors considered that the Board, as a whole, (a) understood its mandate and relative responsibilities, also taking into account stakeholder interests, and analysed and monitored all risks to which the Company is exposed, in the proper order of priority; and (b) showed a strong sense of belonging to the Company, also confirmed by the considerable commitment and effort made in response to the health emergency; (iii) the scheduling of meetings, frequency and the breakdown of their agendas, as well as the quality of the documents presented, were more than adequate for the needs and complexity of the functioning of the Board of Directors; (iv) the Board's dynamics were very positive and the interaction between the Board, the Committees and the managerial functions was open, frequent and constructive, also taking into account information flows that were deemed adequate in terms of breakdown, timeliness and continuity. However, at the same time it was found that the extraordinary merger transaction between the Issuer and MISE, aimed at integrating rail and road mobility in Lombardy, redefining the scope of FNM also in terms of size, as well as the significant future investments planned pursuant to the 2021-2025 Strategic Plan Guidelines and the important developments linked to the Group, imply a new attention to the focus on the composition of the Board and its Committees, in quantitative as well as qualitative terms.

These results, as mentioned above, were then translated into the principles contained in the Diversity Policy and in the guidelines concerning the composition of the Administrative Body, provided by the Previous Board of Directors during the appointment of the corporate officers on 30 April 2021.

The self-assessment conducted during the current financial year, on 9 March 2022, brought to light the matters presented in Paragraph 4.5 (*Role of the Chair of the Board of Directors*).

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As mentioned above, in compliance with Principle XIII of the Code, the Board of Directors is directly involved in the self-assessment and board evaluation activities which - despite the fact that FNM does not qualify as a large company pursuant to the CG Code - are carried out on an annual basis.

Despite the fact that FNM qualifies as a company with concentrated ownership pursuant to the Code, in compliance with Recommendation 23 of the Code, at the end of the self-assessment process carried out during the Financial Year and the resulting approval of the Diversity Policy, the previous Board of Directors disclosed - in the report on the items on the agenda made available to the public on 19 March 2021 - its guidelines on the qualitative and quantitative composition of the Board of Directors considered optimal in view of the appointment of the corporate officers on 30 April 2021.

Finally, although FNM qualifies as a company with concentrated ownership under the CG Code, FNM's shareholders that submitted lists for the appointment of the members of the New Board of Directors stated that they had taken into account the above-mentioned guidelines expressed by the Previous Board of Directors, in compliance with the above-mentioned Recommendation of the CG Code.

With reference to Recommendation 24 of the Code applicable to large companies (and, therefore, not to FNM), the Company has not so far deemed it necessary to adopt a specific plan for the succession of Executive Directors, taking into account (i) the fact that, in the event of early termination of a Director's office with respect to the ordinary term of office, the legal mechanism of co-opting provided for by art. 2386 of the Italian Civil Code would apply, always in compliance with the criteria for the composition of the Board of Directors established by the law and regulations in force and by art. 17 the Articles of Association and the guidelines; (ii) the fact that the appointment of FNM Directors by the Lombardy Region and their replacement in any event take place in compliance with the procedures laid out in Lombardy Regional Law no. 32 of 10 December 2008; and (iii) the specific form of the Company's shareholder structure and the system of delegation of powers which the Company has adopted.

## **7.2. Appointments Committee**

As confirmed by the Framework Resolution, FNM has not currently deemed it appropriate to establish an Appointments Committee as per Recommendation 16 of the Code. This situation derives from the particular shareholding structure of the Issuer, which qualifies as a concentrated ownership company pursuant to the Code, also considering that the appointment of the members of the administrative body by the controlling shareholder the Lombardy Region is governed by Regional Law no. 32 of 10 December 2008.

Moreover, it should be underscored that Recommendation 16 of the Code specifies that *“the functions of one or more Committees may be assigned to the whole Board, under the coordination of the Chair, provided that: a) the independent directors represent at least half of the Board; b) the Board dedicates adequate time during Board sessions to carrying out the functions typically assigned to those Committees. [...]*

*Concentrated ownership companies, including large ones, may assign the functions of the appointments committee to the board of directors, even in the absence of the condition set forth in letter a) above?*

In conclusion, FNM's choice, as resulting from the Framework Resolution, was not to set up the Appointments Committee, assigning the relative functions to the full Board, under the coordination of the Chair, since both of the conditions set forth in points a) and b) above were met.

## **8. REMUNERATION OF DIRECTORS - REMUNERATION COMMITTEE**

### **8.1. Remuneration of Directors**

The remuneration policies adopted by the Issuer are described in the first section of the Report on the remuneration policy and on the compensation paid, prepared in compliance with art. 123-ter of the Consolidated Law on Finance and made available to the public at least 21 days prior to the date of the next Shareholders' Meeting at the registered office and on the Company's website at the address [www.fnmgroup.it](http://www.fnmgroup.it) and in the authorised storage mechanism eMarketStorage at the address [www.emarketstorage.com](http://www.emarketstorage.com), to which reference should be made in full for any information not contained in this Report.

Please note that the next Shareholders' Meeting, convened for 26 April 2022, at 10:00 a.m., on first call, and for 29 April 2022, at 3:00 p.m., on second call, in compliance with the provisions of art.123-ter, paragraphs 3, 3-bis and 3-ter, of the Consolidated Law on Finance, will be called upon to pass binding resolutions on the first section of the Report on remuneration policy and on the compensation paid, which illustrates the remuneration policies adopted by the Company and the procedures used for their adoption and implementation, as well as, in compliance with the provisions set forth in art. 123-ter, paragraph 6, of the Consolidated Law on Finance, to pass a non-binding decision on the second section of the Report on the remuneration policy and on the compensation paid.

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### **Directors' indemnity in case of resignation, dismissal or termination of the employment relationship following a take over bid (pursuant to art. 123-bis, paragraph 1, letter i), Consolidated Law on Finance)**

Pursuant to art. 123-bis, paragraph 1, letter i), of the Consolidated Law on Finance, it should be noted that as of the date of approval of this Report, there are no agreements between FNM and any of the Directors providing for the payment of indemnities to Directors in the event of resignation, dismissal or removal without just cause or termination of the relationship following a takeover bid.

### **8.2. Remuneration Committee**

In compliance with the provisions set forth in Recommendation 16 of the Code, the Board - through the Framework Resolution - confirmed the creation of the Remuneration Committee, with advisory and proposal functions, and approved the relative operating regulations.

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#### **8.2.1. Composition and functioning of the Remuneration Committee (pursuant to art. 123-bis,**

***paragraph 2, letter d), Consolidated Law on Finance)***

In compliance with Recommendation 26 of the Code, the Remuneration Committee in office until the date of the Shareholders' Meeting of 30 April 2021 was composed of 3 members and precisely the Independent Directors Mirja Cartia d'Asero (who acted as Chairwoman), Gianantonio Arnoldi and Tiziana Bortot.

Following the appointment of the New Board of Directors, the Remuneration Committee is composed of 3 members and precisely the Independent Directors Marcella Caradonna (who acts as Chairwoman), Gianantonio Arnoldi and Tiziana Bortot.

As required by Recommendation 26 of the Code, both the previous and the current Chairwomen of the Committee, Mirja Cartia d'Asero and Marcella Caradonna, respectively, had and have proven experience and expertise in financial matters and compensation policies, which was deemed adequate by the Board at the time of their appointment.

In accordance with the provisions of Recommendation 26 of the Code, Directors are required to abstain from attending meetings of the Remuneration Committee at which any proposals to the Board regarding their own compensation are made.

With regard to the rules for the functioning of the Remuneration Committee and the relative regulations, reference should be made to the Section 6 (*Board Committees*).

During the Financial Year, Remuneration Committee meetings were held by audio-videoconference as allowed by the Prime Ministerial Decree of 8 March 2020 and subsequent regulatory measures, including Legislative Decree no. 18/2020, issued to address the COVID-19 epidemiological emergency, which laid out strict rules regarding the activities to be carried out in the presence of more than one person.

In the first few months of the current financial year, the meetings of the Remuneration Committee were also held by audio-video conference.

During the Financial Year, the Remuneration Committee, in its previous composition, met on 4 occasions with total attendance of 100% (the percentage attendance of each member at the meetings held is shown in Table 3 attached to this Report).

The "new" Remuneration Committee, following the appointment of the New Board of Directors, met three times with total attendance of 100%.

At least 5 meetings are planned for the current year, of which 3 have already been held as of the date of this Report.

Generally, Committee meetings average approximately 30 minutes in length.

In compliance with Recommendation 17 of the Code, the Chair of the Board of Statutory Auditors or a Statutory Auditor delegated by him/her regularly attended the meetings of the Remuneration Committee held during the Financial Year. In addition, the meetings of the Remuneration Committee during the Financial Year and in the initial months of the current year were attended by the Heads of the various Corporate Functions, at the invitation of the Chair of the Remuneration Committee. In particular, the Director of Human Resources and Welfare, the Director of Corporate, Legal and Regulatory Affairs and external advisors specialised in the matters for which the Committee is responsible, attended the meetings

of the Remuneration Committee and provided support to it.

### **8.2.2. Functions of the Remuneration Committee**

Pursuant to Recommendation 25 of the Code, in accordance with the Framework Resolution and the relative regulations, the Remuneration Committee performs the following duties and activities:

- (i) assists the Board in drafting and preparing the remuneration policy (the “**Policy**”) and the FNM Remuneration Report for subsequent presentation to the Shareholders’ Meeting, formulating proposals and/or opinions. More specifically, the Remuneration Committee makes proposals to the Board of Directors on the Policy and examines in advance the Remuneration Report with a view to submitting it to the vote of the Shareholders’ Meeting;
- (ii) makes proposals or expresses opinions to the Board on the structure and composition of the remuneration of Executive Directors and Directors holding particular offices, as well as the General Manager;
- (iii) having consulted with the delegated bodies and the Head of the Human Resources Function, formulates proposals or expresses opinions to the Board on the general criteria for the remuneration of Key Management Personnel;
- (iv) makes proposals or expresses opinions to the Board on the annual and medium/long-term incentive plans as well as on the correct identification and setting of adequate performance objectives correlated to the variable component of remuneration for Directors, the General Manager and other Key Management Personnel (after consulting, where appropriate, the delegated bodies and the Head of the Human Resources Function);
- (v) assists the Board in the preparation of any remuneration plans based on financial instruments, formulating proposals or expressing opinions, as well as in their implementation;
- (vi) periodically assesses the adequacy, overall consistency and concrete application of the Policy and the decisions adopted by the Board on the subject of remuneration, making use of the information provided by the delegated bodies and the Head of the Human Resources Function and assessing, among other things, the effective achievement of the performance targets;
- (vii) assesses, where appropriate, the possible application of malus and claw-back mechanisms;
- (viii) reports to the next Board, through the Chair of the Committee, on the important issues examined by the Committee during its meetings;
- (ix) if it deems it necessary or appropriate for the performance of the tasks assigned to it, makes use of external consultants who are experts in remuneration policies. These consultants must be independent and, therefore, by way of example, must not provide the FNM Human Resources Function or Directors, General Manager or Key Management Personnel with services of such significance as to actually compromise their independence of judgement. The independence of external consultants is verified by the Committee prior to their appointment.

During the Financial Year, the Remuneration Committee carried out its proposal-making and advisory

functions; in fact, the Remuneration Committee, among other things, carried out the periodic assessment of the adequacy, overall consistency and practical application of the Policy adopted by the Issuer. In particular, the Remuneration Committee:

- (i) on 8 March 2021, submitted the proposal to the Board of Directors for the adoption of the Policy for the Financial Year - with the support, to that end, (a) of the independent external advisor Mercer Italia S.r.l. (“**Mercer**”), a company belonging to the Marsh & McLennan Companies Group, specialising, *inter alia*, in the design and management of personnel development tools, with a particular focus on the remuneration and enhancement of “executives” (whose independence of judgement was previously verified by the Remuneration Committee on 21 January 2021) <sup>(3)</sup> and (b) of Mr Claudio Morpurgo, attorney - also in order to (1) take into account the provisions of the Code and the implementing provisions of art. 123-*ter* of the Consolidated Law on Finance set forth in the Issuers’ Regulation, as most recently amended by CONSOB Resolution No. 21623 of 10 December 2020, and (2) implement the recommendations set forth in the letter from the Chair of the Corporate Governance Committee dated 22 December 2020;
- (ii) on 8 March 2021, carried out the periodic assessment on the consistency and actual implementation of the Policy adopted by the Issuer for the Financial Year;
- (iii) on 17 March 2021, assessed the actual application of the management by objectives performance incentive system relating to the 2020 financial year, particularly with reference to the actual achievement by the General Manager and Key Management Personnel of the performance targets assigned for the 2020 financial year and the resulting payment of the incentive components of remuneration;
- (iv) on 26 April 2021, established the variable components of the General Manager’s compensation for the Financial Year.

During the current financial year - in compliance with the recommendations of the Code - the Remuneration Committee (i) submitted the proposal to the Board of Directors for the adoption of the Policy for the current financial year; (ii) carried out the periodic assessment on the consistency and actual implementation of the remuneration policy adopted by the Issuer for the current financial year; and (iii) assessed the actual implementation of the management by objectives performance incentive system for the financial year, particularly with reference to the actual achievement by the General Manager and the other Key Management Personnel of the performance targets assigned for the Financial Year and the resulting payment of the incentive components of remuneration.

For further information on this point, reference should be made to the Remuneration Report, prepared in accordance with art. 123-*ter* of the Consolidated Law on Finance.

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Pursuant to Recommendation 17 of the Code, in performing its functions the Remuneration Committee

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<sup>3</sup> In accordance with Recommendation 25 of the Code.

has the right to access the company information needed to perform its duties, as well as to make use of external consultants according to the terms established by the Board on each occasion.

It should be noted that the Remuneration Committee has its own specific annual budget of EUR 25,000.00 (twenty-five thousand/00) per year, as laid out in the Framework Resolution.

During the Financial Year, also taking into account the need to use an external advisor to review the remuneration policy for the Financial Year, the budget was supplemented up to €35,400.00 (thirty-five thousand/400).

## **9. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM - CONTROL, RISKS AND RELATED PARTY TRANSACTIONS COMMITTEE**

### **Introduction**

In carrying out its activities, FNM and the Group are exposed to external risks and uncertainties, deriving from external factors connected to the general macroeconomic context in addition to those specific to the operating segments in which the operations are carried out, to which the risks deriving from strategic and internal management choices are added.

As anticipated in Paragraph 4.1 (*Role of the Board of Directors*), the Board of Directors approved, most recently on 30 July 2021, the Guidelines for the Internal Control and Risk Management System. The SCIGR is the set of rules, procedures and organisational structures aimed at enabling the identification, measurement, management and monitoring of the main risks in relation to their ability to affect the achievement of corporate objectives, with the ultimate aim of contributing to the Sustainable Success of the Company and FNM's subsidiaries. The SCIGR (i) is integrated into the Company's organisational structure and constitutes an essential component of the corporate governance system of the Company and FNM's subsidiaries; (ii) takes into account the Principles and Recommendations of the Code; and (iii) is inspired by national and international leading practices.

In accordance with Principle XIX and Recommendation 33, it should be noted that the SCIGR consists of a structured and systematic set of rules, procedures and organisational structures aimed at preventing, managing and limiting the consequences of unexpected events as well as enabling FNM and its subsidiaries to achieve their objectives in terms of strategies, operations (i.e. the effectiveness and efficiency of their activities and safeguarding of the company's assets), compliance with applicable laws and regulations and fair and transparent internal and market disclosure.

This being said, with reference to the nature and level of risk compatible with the Issuer's strategic objectives, during the Financial Year and as part of the periodic risk assessment activities carried out by the Issuer, FNM - with the support of the Head of the Risk Management and Management Systems Function - defined risk threshold values, which are parameterised and proportionate to the activity and size of the Group's individual subsidiaries, the surpassing of which is not deemed compatible with the Issuer's risk appetite. The risk scenarios thus identified qualify as "top-risk", against which FNM's management has mitigation plans in place to bring risk values within limits consistent with the identified threshold values.

### **Description**



The SCIGR has the following 3 internal operating levels:

**Level I:** consisting of the control activities carried out by the operating functions in order to guarantee the proper performance of the operations under their responsibility. Responsibility for this level of control lies with operational management, which identifies, measures, assesses, manages and monitors the risks deriving from the performance of day-to-day operations, and informs the relevant company departments accordingly;

**Level II:** consisting of monitoring over the process of identifying, assessing, managing and controlling the main risks. This level of control includes the Compliance Function, Management Control, the Executive in charge, the Risk Management and Management Systems Function and the Risk Committee;

**Level III:** consisting of the independent oversight functions that provide overall assurance on the design and operation of the SCIGR. The Internal Audit and Risk Management Function belongs to this level.

The principles underlying the construction of an adequate SCIGR can be summarised as follows:

- (i) **constitution of an integrated model**, within which the components of the SCIGR are coordinated and interdependent and the SCIGR, as a whole, is in turn integrated into the general organisational, corporate governance, administrative and accounting structure;
- (ii) **clear definition of activities, roles and responsibilities** in order to avoid a duplication of activities and ensure the coordination of the parties concerned, with a view to maximising the effectiveness and efficiency of the SCIGR;
- (iii) **segregation of duties and responsibilities** between or within distinct organisational units, in order to prevent incompatible activities from being concentrated under shared responsibility; in particular, it is necessary to ensure the segregation of operating and control activities so as to prevent or, where this is not possible, mitigate conflicts of interests. The application of the principle is implemented in relation to the nature of the activities and the degree and type of risk associated with the activity itself, avoiding organisational inefficiencies;
- (iv) **provision of control activities at every operational level** in order to promptly detect anomalies and critical issues arising during the performance of operating activities; to this end, the Company - also based on the risks managed at Issuer and subsidiary level - sets up specific control activities and monitoring processes aimed at ensuring SCIGR effectiveness and efficiency over time and preventing and identifying operating errors, irregularities and/or fraudulent acts;
- (v) **traceability of the operating and control activities carried out** through the use of appropriate information systems and reporting processes, in order to ensure the reconstruction over time of the information elements supporting these activities;
- (vi) **consistency of the SCIGR with corporate objectives**, in order to ensure that the conduct of the business activities of the Company and its subsidiaries is aimed at Sustainable Success and maximising the value of the company, including in the long term, as well as being consistent with defined corporate objectives;
- (vii) **risk-based approach**, by establishing a preventive approach to risks, which through the process of

identifying, assessing, managing and monitoring the main risks, helps to support informed decision-making processes and, where possible, the translation of the main risks into opportunities and competitive advantage.

The Company adopts these principles in the planning and management of the SCIGR of the Issuer and its subsidiaries; it periodically assesses, according to the methods described below, the adequacy and effectiveness of the SCIGR, and updates it accordingly.

An integral and essential part of the SCIGR adopted by the Issuer and its subsidiaries is represented by the financial and non-financial reporting process (*i.e.* administrative and accounting procedures for the preparation of the separate and consolidated financial statements and other economic, capital, financial and non-financial reports and communications prepared in compliance with the law and/or regulations, as well as for the monitoring of their actual implementation), prepared with the coordination of the Executive in charge.

The SCIGR also establishes “whistleblowing” procedures, in keeping with existing national and international best practices, which govern the possibility for employees (as well as third parties in general) to report any irregularities or violations of the applicable legislation and/or regulations, procedures and internal policies. These “whistleblowing” procedures are characterised by the presence of specific information channels that guarantee the protection and confidentiality of the reporter.

The SCIGR of FNM and its subsidiaries contributes to:

- (i) conducting business activities consistent with the corporate objectives defined by the Company’s Board of Directors, encouraging informed decision-making;
- (ii) ensuring the necessary separation between operating and control functions and, therefore, must be structured so as to avoid or minimise conflicts of interests in the assignment of responsibilities between the various functions;
- (iii) guaranteeing, through the effective use of resources, the safeguarding of the company’s assets and, moreover, the efficiency and effectiveness of the company’s operations and processes;
- (iv) establishing control activities at each operational level and clearly identifying duties and responsibilities, particularly in the supervision and intervention phases and in the correction of problems encountered;
- (v) ensuring reliable information systems and suitable reporting processes at the various levels to which control functions are assigned;
- (vi) guaranteeing the reliability, trustworthiness, accuracy and timeliness of the information provided to corporate bodies and the market, including economic, financial and non-financial information;
- (vii) ensuring compliance with laws and regulations as well as the Articles of Association and the regulations, procedures and internal policies adopted by the Company and its subsidiaries;
- (viii) allowing the recording of every management event and, in particular, every transaction, with an adequate degree of detail, ensuring proper attribution in terms of time;
- (ix) ensuring that planned and scheduled objectives are achieved with reasonable certainty;

- (x) encouraging quality and continuous improvement in the process of controlling and managing business risks;
- (xi) safeguarding the value of the company's assets;
- (xii) fostering the achievement of the Sustainable Success of the Company and its subsidiaries, which is embodied in the creation of long-term value for the benefit of shareholders, taking into account the interests of other stakeholders relevant to the Company and its subsidiaries;
- (xiii) reasonably promptly dealing with the various types of risk to which the Issuer and its subsidiaries are exposed over time (*e.g.* operational, financial, market, non-compliance risks, etc.) and reducing them to a level that is deemed acceptable.

The SCIGR also lays out (i) procedures suitable for highlighting anomalous situations which may constitute indicators of inefficiency, also of the risk measurement and control systems, contributing to the adoption of knowledgeable decisions consistent with the containment of risk within reasonable parameters and (ii) the presence of a set of company rules, directives, methodologies and procedures aimed at favouring the most effective and efficient achievement of the corporate purpose across all operating areas.

The SCIGR includes, aside from the principles laid out in the Guidelines for the Internal Control and Risk Management System, also:

- (i) the specific provisions of the articles of association and internal regulations concerning the allocation of powers and the delegation of responsibilities;
- (ii) the system of delegated powers, procedures and risk areas mapped out in Model 231;
- (iii) the objectives and methodologies for risk assessment and provisions regarding the administrative, accounting and financial system.

In line with the above, the SCIGR therefore consists of a structured and systematic set of rules, procedures and organisational structures aimed at preventing, managing and limiting the consequences of unexpected events as well as enabling the achievement of objectives in terms of strategies, operations (*i.e.* the effectiveness and efficiency of their activities and safeguarding of the company's assets), compliance with applicable laws and regulations and fair and transparent internal and market disclosure. These objectives are aimed at pursuing the sustainable success of FNM and its subsidiaries.

### **Parties involved**

Within the SCIGR, the key corporate bodies, committees and functions responsible for control processes and activities are:

- (i) the Board of Directors;
- (ii) the Control, Risks and Related Party Transactions Committee;
- (iii) the Appointed Director (as defined below);
- (iv) the Board of Statutory Auditors;
- (v) the Head of the Internal Audit Function;
- (vi) the Compliance Function;
- (vii) the Executive in charge;

- (viii) the Supervisory Body;
- (ix) the Risk Committee;
- (x) the Head of the Risk Management and Management Systems Function;
- (xi) the other corporate bodies and functions responsible for internal controls and risk management;
- (xii) directors and statutory auditors of the Issuer's subsidiaries.

In particular, with regard to the Board of Directors committees - with the assistance of the Control, Risks and Related Party Transactions Committee, as the Control and Risks Committee - with regard to the SCIGR, please refer to Paragraph 4.1 (*Role of the Board of Directors*). In brief, the Board of Directors is responsible for:

- (a) defining the guidelines of the SCIGR in line with the Company's strategies and assessing, at least once per year, the adequacy of such system with respect to the characteristics of the company and the risk profile assumed, as well as its effectiveness;
- (b) appointing and dismissing the Head of the Internal Audit Function, defining the relative remuneration in line with company policies and ensuring that they are provided with adequate resources to carry out their duties. If it decides to entrust the internal audit function, as a whole or parts of it, to a party external to FNM, ensuring that this party meets adequate requirements of professionalism, independence and organisation and providing adequate justification for this choice in the corporate governance report;
- (c) approving, at least once per year, the work plan prepared by the Head of the Internal Audit Function, after consulting with the Board of Statutory Auditors and the Appointed Director;
- (d) assessing the appropriateness of adopting measures to guarantee the effectiveness and impartiality of the other functions involved in the controls (Risk Management and Management Systems Function and Compliance Function), verifying that they have adequate professionalism and resources;
- (e) appointing the Supervisory Body pursuant to art. 6, paragraph 1, letter b) of Legislative Decree 231/2001 as amended;
- (f) after consulting with the Board of Statutory Auditors, assessing the results set out by the independent auditors in the letter of suggestions, if any, and in the additional report addressed to the Board of Statutory Auditors;
- (g) describing in the corporate governance report the main features of the SCIGR and the methods of coordination between the parties involved in it, specifying the models and reference national and international best practices, expressing its overall assessment on the adequacy of the system and giving an account of the choices made with regard to the composition of the Supervisory Body referred to in letter (e) above.

The Board of Directors also:

- (i) adopts Model 231 and approves its amendments and updates;
- (ii) appoints and removes the members of the Supervisory Body in accordance with the procedures set out in Model 231 and examines the reports from the Supervisory Body, provided at least every six months, on the implementation of Model 231;

- (iii) ensures that the Executive in charge has the means and powers necessary to perform the duties assigned to him/her and that the procedures prepared by him/her are effectively followed;
- (iv) appoints the Compliance Officer.

The Board of Directors - in compliance with the principles and directives contained in the Guidelines of the Internal Control and Risk Management System - may outsource the performance of specific controls in the various operating areas of the Issuer and the Group.

With reference to the functions of the Control, Risks and Related Party Transactions Committee, please refer to Paragraph 9.2 (*Control, Risks and Related Party Transactions Committee*).

As explained in greater detail below, the Chair of the Board of Directors, in his/her capacity as Appointed Director, oversees the implementation of the Guidelines of the Internal Control and Risk Management System, ensuring that the SCIGR:

- (i) is an integral part of the operations and culture of the Issuer and the Group, by activating appropriate information, communication and training processes to that end, as well as remuneration and disciplinary systems that incentivise proper risk management and discourage conduct contrary to the principles laid out in such processes;
- (ii) is able to promptly react to significant risk situations arising both within the Issuer and its subsidiaries and from changes in the environment in which the Issuer and its subsidiaries operate;
- (iii) provides for regular monitoring of the effectiveness of the SCIGR, as well as the possibility of activating specific control activities in the event that weaknesses in the SCIGR are reported;
- (iv) facilitates the identification and timely execution of mitigation and/or improvement actions.

The Executive in charge (to whom the Paragraph 9.6 (*Executive in charge of financial reporting*) is dedicated), in brief, identifies the main risks relating to financial reporting and ensures, by means of the identification, maintenance and monitoring of the model for compliance with Law no. 262/2005, the management of these risks and the proper functioning of this component of the internal control system, particularly with reference to financial reporting aspects.

The Head of the Internal Audit and Risk Management Function (to whom the Paragraph 9.3 (*Head of the Internal Audit and Risk Management Function*) is dedicated) verifies that the SCIGR is functioning and adequate and assists the Board and the Control and Risks Committee (*i.e.* the Control, Risks and Related Party Transactions Committee), as well as the Company's management in fulfilling its duties relating to the SCIGR; the Internal Audit and Risk Management Function, which has no operational responsibilities, reports hierarchically to the Board of Directors.

The following are also part of the SCIGR: (i) the Board of Statutory Auditors (to which Section 11 (*Board of Statutory Auditors*) of this Report is dedicated), which is, *inter alia*, in charge of monitoring compliance with the law and the Articles of Association, compliance with the principles of proper administration, the procedures for the implementation of corporate governance rules set forth in the codes of conduct drawn up by regulated market management companies or trade associations, which the Company declares that it follows, the adequacy of the instructions given by the Issuer to its subsidiaries, pursuant to art. 114,

paragraph 2 of the Consolidated Law on Finance, the adequacy of the organisational structure of the Company with regard to the aspects under its responsibility, the SCIGR and the administrative-accounting system, as well as the reliability of the latter in correctly representing management events; (ii) the Supervisory Body pursuant to Legislative Decree no. 231/2001; (iii) the Risk Committee, consisting of the General Manager, the Finance and Development Manager as well as the Executive in charge, the Head of Internal Audit and Risk Management, the Corporate, Legal and Regulatory Affairs Manager (as well as the Compliance Officer), the Human Resources and Welfare Manager, the Institutional Relations and Communication Manager and the Head of the Risk Management and Management Systems Function; (iv) the Head of the Risk Management and Management Systems Function, who, in collaboration with process owners, contributes to coordinating and monitoring the entire risk management process; (v) the Risk Management and Management Systems Function, which is called upon to implement and ensure, to the extent of its competence, the compliance of corporate processes and procedures with the standards laid down in the UNI EN ISO 9001:2015 Management System and the UNI ISO 37001:2016 Anti-Corruption Management System; and (vi) the Compliance Function, called upon to identify the standards, rules and principles relevant to FNM and its subsidiaries, as well as to ensure that regulations, procedures, policies and other internal regulatory acts are consistent with them and effectively applied, in order to prevent, monitor and manage the risk of legislative non-compliance. The scope of intervention of the Compliance Function concerns specific areas (i.e. Prevention of Corruption (UNI ISO 37001), Administrative Responsibility of Entities (Legislative Decree 231/2001), Privacy (Legislative Decree 196/2003 and EU Regulation 2016/679), Occupational Health and Safety (Legislative Decree 81/08), Environment (Legislative Decree 152/06) and the Procurement Code (Legislative Decree 50/16)).

In addition, the heads of each business unit and the management have, as first-level control functions, the task of organising, managing and monitoring the effective functioning of the SCIGR within their sphere of responsibility. All employees, each according to their respective roles, contribute to ensuring the effective functioning of the system. In particular, with reference to the component of the control system intended for compliance with Law 262/2005 - irrespective of the activities independently carried out by the Internal Audit and Risk Management Function for the benefit of the Board and the Control and Risks Committee (i.e. Control, Risks and Related Party Transactions Committee), as well as the company management - the Executive in charge relies on internal structures in the administrative area and, if deemed necessary, external consultants for checks on the application of the model. Moreover, in compliance with Recommendation 33 of the Code, on 18 March 2022 the Board approved the risk-based work plan prepared by the Head of the Internal Audit and Risk Management Function, after consulting with the Board of Statutory Auditors and the Appointed Director and after obtaining the favourable opinion of the Control and Risks Committee (i.e. Control, Risks and Related Party Transactions Committee).

Finally, in compliance with the provisions set forth in Recommendation 33 of the CG Code, it should be specified that the Board, after consulting with the Control and Risks Committee (i.e. Control, Risks and Related Party Transactions Committee), continued the SCIGR assessment process during the Financial Year. Lastly, on 13 May 2021, the Board, after obtaining the opinion of the Control and Risks Committee

(i.e. Control, Risks and Related Party Transactions Committee), positively assessed the Issuer's SCIGR and considered it to be adequate and effective overall, in relation to the characteristics of the company and the risk profile assumed. This assessment was also adopted on the basis of the report of the Appointed Director dated 9 March 2021 and with the assistance of the Control, Risks and Related Party Transactions Committee. Lastly, the Head of the Internal Audit and Risk Management Function, in his annual report to the Board of Directors of 18 March 2021, noted that no anomalous situations, critical issues or shortcomings emerged that would jeopardise the adequacy, full operation and effective functioning of the Company's SCIGR, understood in its complexity.

A similar assessment was carried out in the current year by the Head of the Internal Audit and Risk Management Function, on 18 March 2022.

The financial reporting internal control system is an integral part, together with the internal control system, of the Company's SCIGR and aims to provide reasonable certainty as to the reliability, accuracy, trustworthiness and timeliness (as defined in the Code) of financial reporting itself and the adequacy of the process of drafting the financial statements in accordance with the reference international accounting standards.

The financial reporting control system of FNM and the subsidiaries belonging to the FNM Group ("**Model 262**") has been defined in compliance with the provisions of art. 154-*bis* of the Consolidated Law on Finance.

The main references adopted for the implementation of Model 262 can be traced back to international and national best practices, such as the COSO Report and the Confindustria Guidelines.

### **Description of key features of the existing SCIGR as they relate to the financial reporting process**

#### Introduction

The SCIGR on financial reporting aims to (i) provide reasonable certainty as to the reliability, accuracy, trustworthiness and timeliness of financial reporting and, at the same time, (ii) ensure that the processes for producing such reporting guarantee compliance with the international accounting standards (IAS/IFRS).

The Executive in charge defines and updates Model 262 in compliance with the provisions of article 154-*bis* of the Consolidated Law on Finance and on the basis of reference international standards (CoSo Report "Internal Control - Integrated Framework" published by the Committee of Sponsoring Organisations of the Treadway Commission).

The Executive in charge (i) defines and monitors the Group's annual compliance activity plan pursuant to Law 265/2005 as amended, and (ii) issues guidelines in terms of the preparation of administrative and accounting procedures, the assessment of their adequacy and effectiveness, as well as the issue of certifications concerning the financial reporting internal control system.

During the Financial Year, Model 262 was updated with a view to further aligning it with best practices of listed companies, with regard to the following aspects, which have been progressively implemented within the Group:

- strengthening the role of the Process Owners/Control Owners for the purpose of defining, certifying

- and maintaining over time an adequate financial reporting internal control system;
- introducing a methodology for assessing “262 risks” based on the criteria of impact and probability, aimed at guiding all phases of the process.

Description of key features of the existing SCIGR as they relate to the financial reporting process

In this context, Model 262 is broken down into two main levels:

- (i) High-level general controls;
- (ii) Process-level controls.

In more detail, Model 262 is based on the following elements:

- 1) a body of relevant procedures for the preparation of accounting information, consisting, *inter alia*, of the accounting manual of FNM and its subsidiaries, operating instructions and financial statement calendars;
- 2) the identification of significant processes that contribute to the formation of financial statement items on the basis of quantitative and qualitative considerations (complexity and estimation components);
- 3) risk assessment activity, understood as the process of identifying the main risks associated with the reporting of accounting information. The risk assessment is carried out every six months by analysing the possibility of error and fraud; risk is assessed in terms of impact and probability of occurrence;
- 4) the identification, for each relevant process/item, of the key controls that are subject to periodic testing and monitoring.

The assessment of the adequacy and effective application of accounting and administrative procedures relating to the financial reporting of FNM and its subsidiaries has been carried out by adopting a strategy involving the performance of separate analyses for the first half and second half of the year, respectively.

The strategy calls for the performance of the following macro-activities:

- (A) verification of the internal control environment (Entity Level Control);
- (B) verification of high-level information system controls (General Computer Controls);
- (C) identification of companies and processes relevant to the analysis (Scoping);
- (D) verification of the operational effectiveness of relevant controls (Testing);
- (E) deficiency assessment and management of action plans;
- (F) issue of internal and external certifications.

Furthermore, Model 262 calls for:

- the definition of specific reporting flows and a system of internal and external certifications to the Executive in charge;
- assignment of responsibility for and decentralisation of the activities of updating the mapping of processes (Risk & Control Matrix) and procedures to the Process Owners and 262 Focal Points, responsible for the activities of updating process documentation (RCM), under the direction, coordination and control of the Executive in charge;
- extension of the scope of controls by mapping any new processes and updating the Risk & Control



Matrix;

- identification and formalisation of roles and responsibilities of the operating structure supporting the Executive in charge (Consolidated, Accounting and 262 Compliance);
- the formal assignment of responsibility for the “test of control” phase to a specialised external company, in order to guarantee third-party and independent internal reporting to support the assessments of the Executive in charge;
- reviewing and updating the regulation of the Executive in charge as necessary.

To support the functions of the Executive in charge, an operating structure has been identified which is responsible for monitoring and implementing the updating of the Risk Control Matrix, the design of controls, the internal certification process and scoping, as well as the results of the testing phase. If the controls are unsuccessful, the function also supports the Executive in charge in monitoring the remediation actions.

### **9.1. Chief Executive Officer - director in charge of the internal control and risk management system**

In compliance with Recommendation 32 of the Code, the Framework Resolution and the Guidelines of the Internal Control and Risk Management System identify the Chair of the Board of Directors as the person called upon to perform the functions of executive director responsible for supervising the functioning of the SCIGR (the “**Appointed Director**”).

Therefore, in compliance with Recommendation 34 of the Code, the Chair of the Board, as of the date of appointment:

- (i) handled the identification of the main business risks, including all risks that may be relevant for the sustainability of the company’s activities in the medium/long term, taking into account the characteristics of the activities carried out by the Issuer and its subsidiaries, periodically submitting them to the Board of Directors for analysis;
- (ii) with the assistance of the Control and Risks Committee (*i.e.* Control, Risks and Related Party Transactions Committee), implemented the Guidelines of the Internal Control and Risk Management System, handling the design, implementation and management of the SCIGR and constantly checking its adequacy and effectiveness;
- (iii) called for the adaptation of the SCIGR to trends in operating conditions and the legislative and regulatory landscape;
- (iv) entrusted the Internal Audit and Risk Management Function with the task of carrying out checks on specific operating areas and on compliance with internal rules and procedures in the execution of corporate transactions, simultaneously notifying the Chair of the Board of Directors, the Chair of the Control, Risks and Related Party Transactions Committee and the Chair of the Board of Statutory Auditors;
- (v) reported promptly to the Control and Risks Committee (*i.e.* Control, Risks and Related Party Transactions Committee) regarding any problems and critical issues that emerged in the performance

of his activities or of which he had become aware.

In addition, the Appointed Director (i) periodically reported to the Board of Directors and (ii) submitted to the Board of Directors the annual work plan prepared by the Head of the Internal Audit and Risk Management Function, after obtaining the opinion of the Control and Risks Committee (*i.e.* Control, Risks and Related Party Transactions Committee) and having consulted with the Board of Statutory Auditors.

## **9.2. Control, Risks and Related Party Transactions Committee**

### **9.2.1. *Composition and functioning of the Control, Risks and Related Party Transactions Committee pursuant to art. 123-bis, paragraph 2, letter d), Consolidated Law on Finance***

In compliance with Principle XI and Recommendation 16 of the Code, the RPT Regulation and the RPT Procedure, the Board has established an internal Control, Risks and Related Party Transactions Committee. In compliance with the Recommendation 35 of the Code, the Control, Risks and Related Party Transactions Committee in office until the date of the Shareholders' Meeting of 30 April 2021 consisted of 3 members and specifically the Independent Directors Mr Gianantonio Arnoldi (who acted as Chairman), Ms Tiziana Bortot and Ms Mirja Cartia D'Asero.

Following the appointment of the New Board of Directors, the Control, Risks and Related Party Transactions Committee was re-formed by resolution of the Board of Directors on 13 May 2021. The Control, Risks and Related Party Transactions Committee is currently made up of 3 non-executive and independent Directors and in particular by Mr Gianantonio Arnoldi (who became Chairman of the above-mentioned Committee), Ms Barbara Lilla Boschetti and Ms Tiziana Bortot, as shown in Table 2 attached to this Report.

In compliance with Recommendation 35 of the Code, it should be noted that (i) the Control, Risks and Related Party Transactions Committee as a whole has adequate expertise in the business sector in which FNM operates, which is functional to assessing the relative risks and (ii) the current Chairman of the Control, Risks and Related Party Transactions Committee, Mr Gianantonio Arnoldi, has proven experience and expertise in accounting and financial matters and risk management, which was deemed adequate by the Board at the time of his appointment.

Specifically, from 1 January 2021 until 30 April 2021, five meetings of the Control, Risks and Related Party Transactions Committee were held in its previous composition, all as the Control and Risks Committee. As of 13 May 2021 and until 31 December 2021, 7 meetings of the Control, Risks and Related Party Transactions Committee were held in its current composition, of which 6 times as the Control and Risks Committee and 1 time as the RPT Committee.

At least 14 meetings are planned for the current Financial Year, of which 6 have already been held as of the date of this Report.

Committee meetings generally average 70 minutes in length. The percentage of participation by Committee members was 100%, as shown in Table 2.

The meetings of the Control, Risks and Related Party Transactions Committee were coordinated by its Chair and were always held by audio-videoconference as permitted by the Prime Ministerial Decree of 8

March 2020 and subsequent regulatory measures, including Legislative Decree no. 18/2020, issued to address the COVID-19 epidemiological emergency, which established strict rules regarding the activities to be carried out in the presence of more than one person.

Minutes were duly taken at all meetings of the Control, Risks and Related Party Transactions Committee, and the relative minutes were printed in dedicated separate numbered and stamped registers (one concerning the meetings in which the Committee met as Control and Risks Committee and the other concerning the meetings in which the Committee met as the RPT Committee) stored at the Company's premises.

For further information on the rules regarding the functioning of the Control, Risks and Related Party Transactions Committee and its operating regulation, reference should be made to Section 6 (*Board Committees*).

The Chair of the Control, Risks and Related Party Transactions Committee promptly informed the Board of Directors at the first available opportunity of the activities carried out by the Committee during its meetings.

In compliance with Recommendation 17 of the CG Code, it should be specified that several meetings of the Control, Risks and Related Party Transactions Committee were attended - at the invitation of the Committee Chair and with regard to individual items on the agenda - by representatives of company and other functions competent on the matter.

For example, the partner of the Independent Auditors' firm took part in 2 meetings - at the invitation of the Committee and with regard to individual items on the agenda - in one case in order to express an assessment on the correct application of the accounting standards and their consistency for the purposes of drawing up the consolidated and separate financial statements, and on the other with regard to the half-yearly financial report. Moreover, taking into account the specific items on the agenda, the Executive in charge was also present on 3 occasions. The Head of the Internal Audit and Risk Management Function participated on 6 occasions. Several members of the Company's legal department attended 5 meetings.

In compliance with Recommendation 17 of the CG Code, it should be noted that the Chair of the Board of Statutory Auditors or a Statutory Auditor delegated by him/her regularly attended the meetings of the Control, Risks and Related Party Transactions Committee held during the Financial Year.

## ***9.2.2. Functions attributed to the Control, Risks and Related Party Transactions Committee***

### ***9.2.2.1. In the capacity of the Control and Risks Committee***

In accordance with the Code and the Guidelines of FNM's Internal Control and Risk Management System, the Control and Risks Committee (*i.e.* Control, Risks and Related Party Transactions Committee) has the task of supporting the Board's assessments and decisions relating to the SCI GR as well as those relating to the approval of periodic financial and non-financial reports.

In compliance with the provisions of the Code, the Control, Risks and Related Party Transactions Committee has advisory and proposal functions. More specifically, the Control, Risks and Related Party Transactions Committee, in compliance with the provisions of Recommendation 35 of the CG Code:

- (i) supports the Board of Directors in carrying out the tasks entrusted to it by the Code with regard to

- internal control and risk management (in the cases set forth in Recommendation no. 33 of the Code);
- (ii) after consulting the Executive in charge, the Independent Auditors and the Board of Statutory Auditors, assesses the proper use of the accounting standards and their uniformity with a view to drawing up the consolidated financial statements;
  - (iii) assesses the suitability of periodic financial and non-financial information to correctly represent the business model, the Company's strategies, the impact of its activities and its performance;
  - (iv) reviews the content of periodic non-financial information relevant to the SCIGR;
  - (v) expresses opinions on specific aspects concerning the identification of the main corporate risks and supports the assessments and decisions made by the Board of Directors concerning the management of risks deriving from detrimental events of which the latter has become aware;
  - (vi) examines periodic reports, including those concerning the assessment of the SCIGR, and those of particular importance prepared by the Internal Audit Function;
  - (vii) monitors the autonomy, adequacy, effectiveness and efficiency of the Internal Audit Function;
  - (viii) may entrust the Internal Audit and Risk Management Function with the task of performing checks on specific operating functions, notifying the Chair of the Board of Statutory Auditors accordingly;
  - (ix) reports to the Board of Directors, at least during the approval of the annual and half-yearly financial reports, on its activities carried out and the adequacy of the SCIGR.

In particular, the Control, Risks and Related Party Transactions Committee:

- (i) issues opinions to the Board of Directors regarding the identification and updating of the principles and indications set forth in the Guidelines of the Internal Control and Risk Management System;
- (ii) supports the Board of Directors in defining and updating the Guidelines of the Internal Control and Risk Management System;
- (iii) issues opinions on the adequacy of the SCIGR with respect to the characteristics of the Company and the risk profile assumed, as well as on its effectiveness, with the aim of ensuring that the main business risks are properly identified and adequately managed;
- (iv) supports the Board of Directors, by issuing opinions, in the case of decisions relating to the appointment and removal of the Head of the Internal Audit Function, the definition of his/her remuneration in line with company policies, as well as verifying that he/she has adequate resources to carry out his/her duties;
- (v) issues opinions on the approval of the work plan prepared by the Head of the Internal Audit Function;
- (vi) examines periodic reports, including those concerning the assessment of the SCIGR, and those of particular importance prepared by the Internal Audit Function;
- (vii) examines, in agreement with the Board of Statutory Auditors, the results presented by the Independent Auditors in the additional report to the Internal Control and Audit Committee and in the letter of suggestions, if any, and provides its opinion;
- (viii) supports the Board of Directors in defining the composition of the Supervisory Body pursuant to art. 6, paragraph 1, letter b) of Legislative Decree 231/2001;

- (ix) may at any time invite the Head of the Internal Audit and Risk Management Function to report on the activities carried out and the status of the SCIGR;
- (x) supports the Board of Directors in describing, within the scope of the report on corporate governance and ownership structures pursuant to art. 123-*bis* of the Consolidated Law on Finance, the main characteristics of the SCIGR and the methods for coordination between the subjects involved in it;
- (xi) may request at any time from the Head of the Internal Audit and Risk Management Function a copy of the documentation kept by the latter pursuant to the Internal Control and Risk Management System Guidelines.

#### **9.2.2.2. *In the capacity of the RPT Committee***

The Control, Risks and Related Party Transactions Committee, in its capacity as RPT Committee, expresses, in good time for approval by the delegated bodies, opinions on transactions of greater or lesser importance <sup>(4)</sup>, on the interest of the company in carrying out transactions with related parties as well as on the convenience and substantial fairness of the relative conditions. To this end, it has the power to take part - also through a specifically delegated member - in the negotiation and assessment phase of significant transactions with related parties, by requesting information and making observations to the delegated bodies and the parties in charge of negotiations or assessments. The Committee (in its capacity as RPT Committee) may be assisted, at the Company's expense, by one or more unrelated independent experts of its choosing who do not have, even indirectly, an interest in the related party transactions subject to the opinions.

\* \* \*

During the Year, the Control, Risks and Related Party Transactions Committee, as the Control and Risks Committee, in compliance with the duties and functions assigned to it by the Code and the Guidelines of the Internal Control and Risk Management System, was involved in carrying out activities related to the assessment of FNM's SCIGR, in agreement with the other bodies and functions making up the SCIGR.

In carrying out these activities, the Committee had the possibility to (i) access the corporate information and functions necessary to carry out its tasks, (ii) make use of financial resources in order to also rely on external consultants, if necessary, within the terms set out by the Board and (iii) interface and cooperate with the other bodies and functions of the Issuer that make up the relative SCIGR, as well as with the external consultants of primary standing appointed by the Company to support the internal functions.

In particular, the Control, Risks and Related Party Transactions Committee has its own specific annual budget of EUR 50,000.00 (fifty thousand/00) as established by Board resolution of 27 May 2021, with the specification that - in compliance with the provisions of the RPT Procedure - this limit does not apply when the Control, Risks and Related Party Transactions Committee is called upon to express its opinion on significant transactions with related parties.

This being said, the main activities carried out by the Control, Risks and Related Party Transactions

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<sup>4</sup> As defined in the RPT Procedure.

Committee and the main issues dealt with during the Financial Year can be summarised as follows:

- (i) analysis of periodic information flows to the Control, Risks and Related Party Transactions Committee;
- (ii) approval of the Report of the Control, Risks and Related Party Transactions Committee for the second half of 2020;
- (iii) review and issue of a favourable opinion on the materiality matrix and the associated key risks relating to the 2020 NFS;
- (iv) acknowledgement of the Appointed Director's opinion regarding the adequacy of the risk SCIGR with respect to the characteristics of the Company and the risk profile assumed, as well as its effectiveness;
- (v) approval of the 2020 Annual Report of the Control, Risks and Related Party Transactions Committee;
- (vi) issue of a favourable opinion regarding the 2021 Audit Plan and acknowledgement of the assessment of the suitability of the SCIGR as well as the adequacy of the staff of the Internal Audit Function for the Financial Year;
- (vii) examination of the impairment test as of 31 December 2020 in accordance with IAS 36;
- (viii) evaluation with the Executive in charge, the Independent Auditors and the Board of Statutory Auditors concerning the correct use of accounting standards and their uniformity for the purposes of preparing the consolidated financial statements;
- (ix) examination of the Report prepared pursuant to art. 123-*bis* of the Consolidated Law on Finance;
- (x) review of the 2021-2023 Compliance Plan and the 2020 Compliance Plan Annual Report;
- (xi) 2020 Risk Assessment review;
- (xii) approval of the Committee Regulation;
- (xiii) examination and issue of a favourable opinion on the appointment of the SB;
- (xiv) review and approval of the 2021 Risk Assessment programme;
- (xv) with reference to the condensed consolidated half-yearly financial statements as at 30 June 2021, analysis of the assessment of the adequacy and effective application of the accounting and administrative procedures prepared to support the certification of the Executive in charge pursuant to art. 154-*bis* of the Consolidated Law on Finance;
- (xvi) issue of a positive opinion on the update of the Guidelines for the Internal Control and Risk Management System;
- (xvii) examination and approval of the response to a CONSOB request pursuant to article 115 of the Consolidated Law on Finance;
- (xviii) acknowledgement of the report on occupational health and safety pursuant to Legislative Decree 81/08 during the meeting with the Head of the Internal Audit and Risk Management Function and the Protection and Prevention Service Manager;
- (xix) acknowledgement of the presentation of the architecture of the company's information systems and disclosures on cyber security;

- (xx) review and approval of the Committee's Report on the first half of 2021;
- (xxi) issue of a positive opinion regarding the changes to the 2021 Audit Plan as set out in the Half-Yearly Internal Audit Report;
- (xxii) acknowledgement of the activities under way and the relative state of progress of the Institutional Relations and Communication Function.

Moreover, the Control, Risks and Related Party Transactions Committee, as the Control and Risks Committee, systematically monitored, during the Financial Year, the effects of the COVID-19 epidemiological emergency, verifying that the Company and the other Group companies adopted actions, including organisational and informational, aimed at guaranteeing conditions of safety and hygiene in the workplace and, at the same time, operational continuity.

During the Financial Year, the Control, Risks and Related Party Transactions Committee, as RPT Committee, met to take up its duties and approve the Regulation for its functioning

Lastly, on 17 March 2022, in compliance with Recommendation 33 of the Code, the Committee examined the annual report on the audit activities carried out by the Head of the Internal Audit and Risk Management Function during Financial Year 2022, and issued its favourable opinion on the work plan prepared by the Head of the Internal Audit and Risk Management Function for Financial Year 2022.

During the current financial year, the Control, Risks and Related Party Transactions Committee, in its capacity as Control and Risks Committee, inter alia, (i) met with the General Manager for an update on Covid -19 risk containment measures and procedures for staff and users and on the organisation of services and (ii) analysed the response to a request for information from CONSOB pursuant to article 115 of the Consolidated Law on Finance.

During the current year, the Control, Risks and Related Party Transactions Committee, as the Related Party Transactions Committee, met: (i) on 7 March 2022 to express its favourable opinion on the transaction for the paid acquisition by the subsidiary MISE of 11,015,963 shares held by the Lombardy Region in the company Tangenziali Esterne Milano S.p.A. and (ii) on 17 March 2022 to express its favourable opinion on the redetermination, at the proposal of the Remuneration Committee, of the General Manager's remuneration.

### **9.3. Head of the Internal Audit and Risk Management Function**

The Board appoints the head of the Internal Audit and Risk Management Function as the person responsible for verifying that the SCIGR is functional and adequate and consistent with the guidelines defined by the Board.

On 13 October 2015, the Board, after in-depth market research and selection activity, carried out through a primary executive search company, at the proposal of the Chair as Appointed Director, subject to the favourable opinion of the Control and Risks Committee in office at the time and having consulted with the Board of Statutory Auditors in office at the time, appointed, effective 1 January 2016, Mr Dario Della Ragione, professionally certified internal auditor (CIA and CCSA) and coming from a major multinational Company, as Head of the Internal Audit and Risk Management Function.

On that occasion, the Board - at the proposal of the Chair as Appointed Director, subject to the favourable opinion of the Control and Risks Committee in office at the time and having consulted with the Board of Statutory Auditors in office at the time, defined the remuneration of the Head of the Internal Audit and Risk Management Function in line with corporate policies.

Moreover, for each financial year, the Board ensures that the same person is provided with adequate resources to carry out his or her responsibilities.

In relation to Recommendation 36 of the Code, it should be noted that the Head of the Internal Audit and Risk Management Function (and all the Function's staff) is not responsible for any operating area, reports hierarchically to the Board of Directors and, for the performance of his/her duties, has direct access to all useful information. In this regard, following the internal reorganisation - which, as of 1 January 2018, has, among other things, placed the Risk Management Function under the Internal Audit Department, which has consequently been redefined the Internal Audit and Risk Management Function - the Board of Directors, at its meeting of 17 July 2018, therefore added to the mandate of Internal Audit, in line with the applicable international standards on the subject <sup>(5)</sup> so as to preserve the organisational independence of internal audit activities and the individual objectivity of the internal auditors from any even apparent influence. Finally, during the Board of Directors' meeting of 20 February 2020, the Internal Audit mandate was updated, in light of the outsourcing of the "262 testing" activity, previously entrusted to the Internal Audit Function, to a specialised company meeting adequate professional, independence and organisational requirements.

The company to which - following a market survey - the testing function has been outsourced is Deloitte Risk Srl, which has no corporate links with FNM. In agreement with the Head of the Internal Audit and Risk Management Function, during the year the Executive in charge confirmed the decision to outsource this activity considering: (i) the significant commitment required in terms of time to carry out such audits; (ii) the recurrence and standardisation of testing activities which, in FNM's 262 model, represent a full-scale activity; and (iii) the advisability of focusing the activity of the Internal Audit structure on the audits set forth in the Audit Plan.

The Head of the Internal Audit and Risk Management Function is responsible for verifying the adequacy and effective functioning of the SCIGR in relation to the effectiveness and efficiency of operating activities, the reliability of financial statement information, compliance with laws and regulations, and the safeguarding of the company's assets by assessing control, risk management and corporate governance processes and proposing improvements to them.

The Board assigned to the Head of the Internal Audit and Risk Management Function the functions set forth in the CG Code and contained in the Guidelines of the Internal Control and Risk Management System adopted by the Company; in particular, the Head of the Internal Audit and Risk Management Function:

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<sup>5</sup> IPPF - Standard 1112: Where the internal auditor has roles and/or responsibilities beyond internal auditing, appropriate safeguards must be in place to limit constraints on independence or objectivity. Standard 1130.A2: Assurance engagements for functions that fall under the responsibility of the internal audit manager should be supervised by individuals external to the internal audit activity.



- (i) prepares the “annual audit plan” to be approved by the Board of Directors, based on a structured process of analysing and prioritising the main risks (the “**Audit Plan**”), making it available to the Chief Executive Officer, in his/her capacity as Appointed Director, the Control, Risks and Related Party Transactions Committee and the Board of Statutory Auditors in due time for the performance of their respective duties, also in preparation for its approval by the Board of Directors;
- (ii) verifies, both on an ongoing basis and in relation to specific needs and in compliance with international standards, the operation and suitability of the SCIGR, through the Audit Plan;
- (iii) has direct access to all useful information for the performance of the assignment;
- (iv) prepares periodic reports containing adequate information on its activities, the methods used to manage risks and compliance with the plans defined to limit them. The periodic reports contain an assessment of the SCIGR’s suitability;
- (v) also at the request of the Board of Statutory Auditors, prepares reports on particularly significant events within the necessary technical timeframe;
- (vi) sends the reports referred to in points (iv) and (v) above to the Chairs of the Board of Statutory Auditors, the Control, Risks and Related Party Transactions Committee and the Board of Directors, as well as the Chief Executive Officer, except in cases where the subject of such reports specifically concerns the activities of such parties;
- (vii) verifies, as part of the Audit Plan, the reliability of information systems, including accounting systems.

In addition, the Head of the Internal Audit and Risk Management Function:

- (i) verifies, both on an ongoing basis and in relation to specific needs and in accordance with international standards, the suitability and operation of the SCIGR;
- (ii) plans and carries out - in line with the Audit Plan - direct and specific control activities in the Issuer and in the Group’s subsidiaries, in order to identify any shortcomings in the SCIGR in the various risk areas;
- (iii) ensures the implementation of the Audit Plan, guaranteeing the performance of the relative checks and the ensuing follow-up activities, as well as the monitoring of the implementation of improvement actions;
- (iv) assists the Appointed Director in taking care of the design, management and monitoring of the SCIGR and in identifying the various risk factors, including all risks that may be relevant to the Sustainable Success of the Company and the Group;
- (v) prepares half-yearly and annual reports containing adequate information on its activities, the main issues that emerged during the reference period, how risk is managed and compliance with the plans defined to limit risks. These reports are submitted in due time to allow the Control, Risks and Related Party Transactions Committee and the Board of Directors, as well as the Appointed Director, to carry out their respective duties, at Board of Directors meetings for the approval of the annual financial report and the half-yearly financial report. The periodic reports contain an assessment of the SCIGR’s suitability;

- (vi) also at the request of the Board of Statutory Auditors, prepares reports on particularly significant events (including audit reports) within the necessary technical timeframe;
- (vii) sends the reports referred to in points (v) and (vi) above at the same time to the Chairs of the Board of Statutory Auditors, the Control, Risks and Related Party Transactions Committee and the Board of Directors, as well as to the Appointed Director; if the control activities involve Group companies, the reports are also sent to the relevant bodies of the companies concerned;
- (viii) sends the reports referred to in point (vii) above to the Supervisory Body, the Compliance Officer, the Executive in charge and the Head of the Risk Management and Management Systems Function;
- (ix) verifies that the rules and procedures of the control processes are complied with and that all those involved operate in accordance with established objectives. In particular:
  - checks the reliability of information flows, including automatic data processing and administrative-accounting reporting systems;
  - verifies, as part of the Audit Plan, that the procedures adopted by the Company and the Group ensure compliance, in particular, with provisions of law and regulations in force;
- (x) performs assessment and verification duties with regard to specific issues, when deemed appropriate or at the request of the Board of Directors, the Control, Risks and Related Party Transactions Committee, the Appointed Director or the Board of Statutory Auditors;
- (xi) confirms, with the methods deemed most appropriate, that the anomalies identified in the operation and functioning of controls have been removed;
- (xii) keeps all documentation relating to the activities carried out; this documentation is available to those responsible for control activities who request it;
- (xiii) if there are critical issues requiring urgent action, informs the Appointed Director and the delegated bodies without delay, as well as the Chairs of the Control, Risks and Related Party Transactions Committee, the Board of Directors and the Board of Statutory Auditors, to update them on the results of his/her work;
- (xiv) supports the SB in the fulfilment of its duties, coordinating the audit activities when requested by such body.

In line with the reference professional standards, the duties of the Head of the Internal Audit and Risk Management Function are carried out by conducting interviews, analyses, documentary audits and spot checks on the processes and activities subject to the audit. In the light of the results and the audits carried out, the Head of the Internal Audit and Risk Management Function identifies any shortcomings in the SCIGR and any necessary improvement actions. The deficiencies identified and actions proposed are set forth in the relative audit reports.

When certain controls are outsourced by the Company or other Group companies, the Head of the Internal Audit Function also has access to the documentation produced by the third parties engaged.

The purposes, powers and responsibilities of the Internal Audit Function are formally defined in an internal audit mandate (“audit charter”), consistent with (i) the definition of internal auditing and (ii) the standards of the Institute of Internal Auditors <sup>(6)</sup>, and approved by the Board of Directors.

In order to carry out its duties, the Company made available to the Internal Audit and Risk Management Function, for auditing activities only, resources amounting to a total of approximately EUR 571,565.00, of which EUR 488,420.00 for employee costs; for risk management activities, the Company made available further resources amounting to EUR 102,641.00, of which EUR 66,738.00 for employee costs.

During the year, the Head of the Internal Audit and Risk Management Function:

- (i) was involved in activities for verifying the functioning and adequacy of the SCIGR mainly through the implementation of the actions scheduled in the audit plan for the Financial Year as approved by the Board of Directors on 18 March 2021 and updated on 29 November 2021 (the “**2021 Audit Plan**”). The results of these audits were duly recorded in specific “audit reports” and forwarded to the competent bodies;
- (ii) verified, both on an ongoing basis and in relation to specific needs and in compliance with international standards, the operation and suitability of the internal control and risk management system, through the 2021 Audit Plan, based on a structured process of analysis and prioritisation of the main risks, also verifying that the rules and procedures of internal control processes were complied with and that all those involved operate in compliance with established objectives;
- (iii) prepared (with the assistance of the relevant structure) half-yearly and annual reports on its activities, how risks are managed and compliance with the plans defined to limit risks, as well as an assessment of the suitability of the SCIGR, summarising the main findings that emerged during the reference period or during the Financial Year, which were sent to the Chairs of the Board of Statutory Auditors, the Control and Risks Committee and the Board of Directors, except in cases where the subject of such reports specifically concerned the activities of these parties;
- (iv) promptly prepared reports on particularly significant events, also at the request of the Board of Statutory Auditors, and forwarded them to the Chairs of the Board of Statutory Auditors, the Control and Risks Committee and the Board of Directors, except in cases where the subject of such reports specifically concerned the activities of these parties;
- (v) verified, as part of the 2021 Audit Plan, the reliability of information systems, including accounting systems;
- (vi) supported the SCIGR Appointed Director, the Supervisory Body and the Executive in charge in carrying out their respective duties;
- (vii) confirmed, to the Board of Directors and the Control and Risks Committee (*i.e.* Control, Risks and Related Party Transactions Committee), the organisational independence of the Internal Audit and Risk Management Function.

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<sup>6</sup> The Institute of Internal Auditors (“**IIA**”) is the world's leading recognised professional association for standards, certification and training for the Internal Auditing profession. The IIA is the international reference point for risk management, corporate governance and internal auditing.

#### **9.4. Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001**

The Company (as well as the subsidiaries), always aware of the need to guarantee the conditions of transparency and fairness in the conduct of business activities, considered it appropriate to adopt an Organisation, Management and Control Model as required by Legislative Decree 231/2001, most recently on 16 September 2021, adding predicate offence types and the organisational changes that had been introduced in the meantime. In this regard, during the Financial Year the Company launched analysis activity (risk assessment and gap analysis) in order to verify the impact of the most recent regulatory changes regarding Legislative Decree 231/2001, define any improvements to the internal control system in order to mitigate potential risk areas and identify any necessary additions to Model 231.

The Model 231 in force has been prepared in compliance with the provisions of Legislative Decree 231/2001, the Confindustria guidelines and the ASSTRA guidelines, on the basis of a preliminary analysis of the business processes characterising the company organisation.

Model 231 is available for consultation on the company website [www.fnmgroup.it](http://www.fnmgroup.it) in the Governance System section (<http://www.fnmgroup.it/it/sistema-di-governance>).

In line with the provisions of Legislative Decree 231/2001, the Company appointed an autonomous, independent Supervisory Body responsible for controlling risks relating to the specific activity performed by the Company and the relative legal profiles. This Supervisory Body, which is collegial in nature, is made up of external professionals with proven technical skills.

The Supervisory Body currently in office, which was appointed at the Board meeting of 17 June 2021, consists of 1 criminal lawyer with proven experience in the field of Legislative Decree 231/2001, Marcello Elia, attorney, and 2 chartered accountants, Fabio Frattini and Marco Manzoli. The same Supervisory Body, at its meeting of 21 July 2021, adopted its own operating regulations and appointed, as its Chairman, Marcello Elia, attorney.

In this regard, the Board of Directors, within the Framework Resolution, considered it appropriate that - in continuity with what has happened in the past and in line with the provisions of the MOG (which requires members of the Supervisory Body to meet autonomy and independence requirements, in order to ensure that the Supervisory Body is not subject to any form of interference or pressure from top management and is not in any way involved in the exercise of operating activities and management decisions) - the Company's Supervisory Body must continue to be made up of third parties, with adequate professionalism, autonomy and independence, as well as the requirements set out in Legislative Decree 231/2001.

The Supervisory Body has the task of constantly monitoring (i) compliance with Model 231 by the Company's corporate bodies, employees and consultants; (ii) the actual effectiveness of Model 231 in preventing the commission of the offences referred to in Legislative Decree 231/2001; (iii) the implementation of the provisions of Model 231 in the performance of the Company's activities; and (iv) the updating of Model 231, should it need to be adjusted following changes in the structure and/or organisation of the company or in relation to the evolution of the reference regulatory framework.

To carry out of the assigned duties, the Supervisory Body is vested with all powers of initiative and control over each company activity and personnel level, and reports to the Board of Directors through its Chair. The Supervisory Body carries out its functions in coordination with the other bodies and control functions existing in the Company.

During the Financial Year, the Supervisory Body carried out the activities assigned to it by Legislative Decree 231/2001 with respect to the adequacy, updating, observance and effectiveness of the above-mentioned model, through constant monitoring of its effective application and also through auditing activities. The SB reported to the Board on its activities at its meetings on 27 April 2021 and 19 January 2022.

#### **9.5. Auditing firm**

Auditing is carried out by a company registered in the Special Register according to the relevant laws and regulations and in particular to Consolidated Law on Finance.

The company appointed to audit the Issuer's accounts, for the 2017-2025 nine-year period, is PriceWaterhouseCoopers S.p.A., as per Shareholders' Meeting resolution of 28 April 2017.

#### **9.6. Executive in charge of financial reporting and other corporate roles and functions**

Pursuant to art. 20 of the Articles of Association, the Board appoints the Executive in charge, after consulting with the Board of Statutory Auditors. He/She must meet the professional requirements characterised by qualified experience of at least 3 years in administration and control activities or in the performance of management or advisory functions within listed companies and/or the relative groups of companies, or companies, bodies and enterprises of significant size and importance, also with regard to the drafting and control of accounting and corporate documents.

On 11 April 2019, the Board of the Company, subject to the favourable opinion of the Board of Statutory Auditors issued on the same date, appointed Ms Valentina Montanari (Chief Financial Officer of the Company) as the Executive in charge, positively evaluating the fulfilment of the requirements of integrity and professionalism, proven by her experience in accounting and finance.

The Executive in charge is guaranteed extensive autonomy in organising her activities and is assigned adequate powers and means to carry out her functions.

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In addition, a key role within the SCIGR is also played by (i) the Risk Committee <sup>(7)</sup>, (ii) the Head of the Risk Management and Management Systems Function and (iii) the Compliance Function.

The Risk Committee supports the corporate bodies in the risk assessment process and monitors the risk management process. In particular, it shares the results of the risk analysis activities carried out by the various competent company operating functions, in order to ensure the “mapping” of the various relevant company

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<sup>7</sup>The Risk Committee is composed of the General Manager, the Director of Finance and Development and the Executive in charge, the Head of the Internal Audit and Risk Management Function, the Director of Corporate, Legal and Regulatory Affairs (as well as the Compliance Officer), the Director of Human Resources and Welfare, the Director of Institutional Relations and Communication and the Head of the Risk Management and Management Systems Function.

risks. Lastly, it defines synergies to avoid any duplication of efforts.

To this end, the Risk Committee receives and analyses the reports made by the company functions that perform first and second level controls. The Risk Committee reports periodically to the Control, Risks and Related Party Transactions Committee, as well as to the Appointed Director.

The Head of the Risk Management and Management Systems Function, in collaboration with the defined process owners, contributes to coordinating and monitoring the entire risk management process according to the detailed procedures defined in the specific “risk management” operating procedure.

In particular, the Head of the Risk Management and Management Systems Function assists the Appointed Director in the design and implementation of the SCIGR as well as in the identification of the various risk factors, including all those that may be relevant from the point of view of the Sustainable Success of the Company and the Group and taking into account the corporate objectives and specific features of the business of the Group.

The Head of the Risk Management and Management Systems Function also coordinates the work of the Risk Committee. The Head of the Risk Management and Management Systems Function (i) reports to the Risk Committee and the Appointed Director on the results of the risk assessment process and (ii) proposes actions to mitigate the top risks identified.

In addition, the Head of the Risk Management and Management Systems Function reports, at least annually, to the Control, Risks and Related Party Transactions Committee on (i) the timing and methodology of the risk assessment process; (ii) the results of the risk assessment process once completed; and (iii) risk management initiatives.

The Compliance Function operates, within the SCIGR, as a “second level” control function, with the responsibility of identifying the standards, rules and principles relevant to the Company and its subsidiaries, as well as ensuring that the regulations, procedures and internal policies are consistent with them and effectively applied, in order to prevent, monitor and manage the risk of legislative non-compliance with reference to the following areas:

- Anti-corruption (UNI ISO 37001:2016);
- Administrative Liability of Entities (Legislative Decree 231/01);
- Privacy (EU Reg. 2016/679);
- Occupational health and safety (Legislative Decree 81/08);
- Environment (Legislative Decree 152/06);
- Procurement Code (Legislative Decree. 50/16).

With reference to the above-mentioned areas, the Compliance Function carries out assurance, advisory, reporting and monitoring activities. In particular, it:

- (i) prepares, on an annual basis, the compliance plan;
- (ii) supervises staff training in the above areas;
- (iii) monitors regulatory updates and the evolution of the company organisation;
- (iv) transmits to the Head of the Risk Management and Management Systems Function the results of the

review of the risks of legislative non-compliance with a view to integrating and consolidating the Group's risk assessment;

- (v) supervises the effectiveness and proper functioning of the Anti-Corruption System of the Issuer and its subsidiaries in accordance with the UNI ISO 37001:2016 Standard;
- (vi) ensures the dissemination and communication of the FNM Anti-Corruption Policy;
- (vii) carries out prevention and monitoring audits on corruption risks in collaboration with the Head of the Risk Management and Management Systems Function;
- (viii) formulates proposals to the Head of the Risk Management and Management Systems Function aimed at periodically updating the anti-corruption system and the tools of the internal regulatory system (governance documents, policies, procedures, protocols, manuals, etc.);
- (ix) analyses and verifies, together with the Head of the Internal Audit Function, the reports received on any alleged or confirmed violations of the FNM Anti-Corruption Policy, Model 231 (of the Issuer and its subsidiaries), the Code of Ethics and Conduct of the FNM Group and the internal regulatory system;
- (x) supports, insofar as responsible, the drafting and, based on the results of the risk assessment, the updating of the Code of Ethics and Conduct of the FNM Group and Model 231 (of the Issuer and its subsidiaries);
- (xi) supervises the dissemination and communication of Model 231 (of the Issuer and its subsidiaries), the FNM Group's Code of Ethics and Conduct and the FNM Anti-Corruption Policy to all those subject to it;
- (xii) supports the development and review of the elements constituting the internal regulatory system;
- (xiii) supports employees on specific facts and/or circumstances that may require clarification with respect to the content of the FNM Anti-Corruption Policy, Model 231 (of the Company and its subsidiaries), the FNM Group's Code of Ethics and Conduct and the internal regulatory system;
- (xiv) acquires information from the Head of the Internal Audit Function concerning the outcome of analyses/audits in order to share any critical issues and irregularities emerging during the audits carried out;
- (xv) proposes actions to strengthen corporate governance through the introduction of processes and tools for the monitoring and management of risks, at both organisational and operational level, in coordination with any actions proposed by other SCIGR actors;
- (xvi) periodically reports, at least once a year (or punctually when circumstances require), to the Board of Directors, the Control, Risks and Related Party Transactions Committee, the Social Responsibility and Ethics Committee, the Head of the Internal Audit and Risk Management Function and the Supervisory Body of the Company and its subsidiaries on the activities carried out and any critical issues encountered, by means of a report containing adequate information on its activities and on compliance with the plans defined for carrying them out.

On 5 December 20017, the Board appointed Monica Giugliano, attorney, as Executive in charge of the

Compliance Function.

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During the course of the Financial Year, the Board of Directors did not consider it necessary to adopt additional measures to guarantee the effectiveness and impartiality of judgement of the other company functions involved in controls, considering existing measures to be sufficient, with reference to the SCIGR, as described in the Guidelines of the Internal Control and Risk Management System.

#### **9.7. Coordination between the parties involved in the internal control and risk management system**

In compliance with Principle XX of the Code, as well as with the best practices of listed companies, the Company has established methods for coordination between the various bodies involved in the SCIGR.

In this regard, the procedures (including, *inter alia*, the Guidelines of the Internal Control and Risk Management System) adopted by the Company include (i) opportunities for regular discussion and exchanges of information between the various parties making up the SCIGR; (ii) participation of the various parties involved in the SCIGR in the meetings of the bodies and/or functions involved; and (iii) a constant flow of information, also as a result of the individuals making up the various bodies and functions in charge of the SCIGR.

In summary, these procedures establish, *inter alia*, that:

- (i) the Head of the Internal Audit and Risk Management Function (a) prepares periodic reports containing adequate information on its activities, the methods for managing risk and particularly significant events, transmitting them to the Chair of the Board of Statutory Auditors, the Chair of the Control and Risks Committee (*i.e.* Control, Risks and Related Party Transactions Committee), the Chair of the Board and the Appointed Director; (b) in the presence of critical issues that require urgent action, promptly informs the Appointed Director, as well as the Chairs of the Control and Risks Committee (*i.e.* Control, Risks and Related Party Transactions Committee), the Board and the Board of Statutory Auditors in order to update them on the results of its work; (c) prepares the Audit Plan and makes it available to the Appointed Director, the Control and Risks Committee (*i.e.* Control, Risks and Related Party Transactions Committee) and the Board of Statutory Auditors; and (d) lastly, prepares the half-yearly and annual reports referred to in Paragraph 9.3 (*Head of the Internal Audit and Risk Management Function*) above, summarising the main findings in due time to allow the Control and Risks Committee (*i.e.* Control, Risks and Related Party Transactions Committee) and the Board, as well as to the Appointed Director, to carry out their respective duties during the Board meetings held for the approval of the annual and half-yearly financial reports;
- (ii) (a) the Control and Risks Committee (*i.e.* Control, Risks and Related Party Transactions Committee) assesses, together with the Executive in charge, and after consulting with the Independent Auditors and the Board of Statutory Auditors, the proper application of the accounting standards and their uniformity for the purposes of the consolidated financial statements; (b) the work of the Control and Risks Committee (*i.e.* Control, Risks and Related Party Transactions Committee) also involves the



participation of the Chair of the Board of Statutory Auditors or another Statutory Auditor designated by him/her, without prejudice to the possibility for other Statutory Auditors to participate in the work as well;

- (iii) the Board - subject to the opinion of the Control and Risks Committee (*i.e.* Control, Risks and Related Party Transactions Committee) - (a) assesses, at least once a year, the adequacy of the SCIGR, (b) approves, at least once a year, the work plan prepared by the Head of the Internal Audit and Risk Management Function, having consulted the Board of Statutory Auditors and the Appointed Director, and (c) assesses, also having consulted the Board of Statutory Auditors, the results set out by the independent auditor in the Management Letter and in the additional report.

Moreover, as already mentioned, it should be pointed out that in compliance with Recommendation 37 of the Code, (i) the Chair of the Board of Statutory Auditors or a Statutory Auditor delegated by him/her usually attends the meetings of the Control, Risks and Related Party Transactions Committee and (ii) the Board of Statutory Auditors and the Control, Risks and Related Party Transactions Committee promptly exchange any information relevant to the performance of their respective duties.

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

The Company has adopted the RPT Procedure (*“Procedure for the regulation of transactions with related parties”*), in compliance with the provisions of art. 2391-*bis* of the Italian Civil Code and the RPT Regulation, and also taking into account the indications and clarifications provided by Consob with notice no. DEM/10078683 of 24 September 2010.

In particular, the RPT Procedure was (i) initially adopted by the Board on 29 November 2010, subject to the favourable opinion of the Internal Control Committee as well as (ii) subsequently amended on 17 July 2015, subject to the favourable opinion of the Independent Directors, as well as, subject to the favourable opinion of the RPT Committee, on 29 December 2016, 11 July 2017 and 22 November 2018, and most recently updated on 17 June 2021 <sup>(8)</sup>. The RPT Procedure is also transmitted to the direct and indirect

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<sup>8</sup> The RPT Procedures were most recently updated to take into account the main amendments to the RPT Regulation, which concerned, *inter alia*:

- a new definition of "related party" that has been brought into line with the definition set forth in the international accounting standards in force;
- a new definition of "director involved in the transaction", which includes "board directors, executive directors or supervisory directors who have an interest in the transaction, on their own behalf or on behalf of third parties, that conflicts with that of the company";
- the definition of differentiated criteria based at least on the nature of the counterparty (natural persons and legal entities) for the identification of "small amount" transactions;
- the obligation to abstain from voting was introduced for Directors involved in the transaction in all transactions falling under the "responsibility of the Board", whether they are more or less significant;
- the Board's powers were extended to "significant" urgent transactions;
- in "significant" transactions with related parties, it is expressly required that the involvement of the independent directors in the negotiation and preliminary phase be "timely", through the receipt of an information flow that is not only complete but also "updated";
- a provision was introduced for prior verification by the Related Party Transactions Committee of the independence of the experts on which the Committee decides to rely for more and less significant related party transactions;
- if the transaction, whether "major" or "minor" in significance, is the subject of a public disclosure, this announcement must also contain "a description of the transaction";
- an express obligation was introduced to attach to the minutes of the meeting of the RPT Committee the opinion issued with regard to "major" and "minor" related party transactions;

subsidiaries pursuant to art. 2359 of the Italian Civil Code, so that they may view it and, insofar as they are able and responsible, comply with it.

The RPT Procedure identifies the rules governing the identification, approval and execution of transactions with related parties carried out by FNM, either directly or through subsidiaries, in order to ensure the transparency and substantial and procedural fairness of such transactions. In particular, in brief, according to the RPT Procedure, transactions with related parties are approved by the body responsible from time to time after receiving a reasoned opinion - which may or may not be binding depending on whether the transaction is of greater or lesser importance - from the Control, Risks and Related Party Transactions Committee in its capacity as the Related Party Transactions Committee.

The RPT Procedure establishes specific rules on transactions with related parties carried out directly and independently by a subsidiary, i.e. without being examined and/or approved by the Company. In particular, adequately recognising the role (also in terms of corporate purpose and mission) and the decision-making and operational autonomy of the companies belonging to the FNM Group, in such cases the RPT Procedure does not apply, without prejudice to the possibility that the Chair of the Board of Directors or the Chairs of the Board of Directors and/or delegated bodies and/or administrative bodies of the subsidiaries may, from time to time, request the application of the RPT Procedure to such transactions.

The RPT Procedure mentioned above may be consulted on the Company's website (<https://www.fnmgroup.it/it/documenti-e-procedure-fnm>). During the Financial Year, the RPT Procedure was not activated and the Control, Risks and Related Party Transactions Committee, as the Related Party Transactions Committee, met 1 time, as already specified in Paragraph 9.2 (*Control, Risks and Related Party Transactions Committee*) of this Report.

Lastly, a Register of Related Parties is kept and periodically updated by the relevant company department. Note that the Board did not deem it necessary to adopt specific operational solutions aimed at facilitating the identification and proper management of those situations in which a Director has an interest on his/her own behalf or on behalf of third parties. On this point, the Board believes the existing oversight mechanism is adequate, by virtue of the requirements laid out in art. 2391 of the Italian Civil Code ("Directors' interests", which specifies that each director "*must inform the other directors and the Board of Statutory Auditors of*

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- the obligation has been introduced to attach to the information document, in addition to the opinion of the independent directors and the independent experts whose opinion has been relied on, also the opinion of any independent experts whose opinion has been obtained by the Board of Directors.

- the automatic disapplication of the RPT Regulation has been established for transactions involving small amounts, as identified;

- the express exemption of transactions approved by the company and addressed to all shareholders under equal conditions;

- a strengthening of the conditions for the exemption of resolutions on the remuneration of directors and directors holding special offices and other key management personnel, which are now subject, inter alia, to the circumstance that the company has a policy approved by the shareholders' meeting and that the remuneration assigned is identified in compliance with this policy and quantified on the basis of criteria that do not involve discretionary assessments;

- the subordination of the exemption of "ordinary transactions and transactions carried out at conditions equivalent to market or standard conditions" to the communication to Consob - and to the directors or independent advisors who express opinions on transactions with related parties - of a structured justification on the existence of such elements, which also must include objective evidence;

- the revision of the rules governing "urgent transactions", to the extent to which the resolution on "significant" transactions should in any case be placed under the exclusive responsibility of the Board of Directors.

*any interest he or she may have, either on his or her own account or on behalf of third parties, in a particular company transaction, specifying the nature, terms, origin and extent thereof”).*

## **11. BOARD OF STATUTORY AUDITORS**

### **11.1. Appointment and replacement**

Pursuant to art. 26 of the Articles of Association, as last amended on 28 January 2021 by resolution of the Board of Directors in order to adapt it to the provisions on gender balance introduced by Law 160/2019, the appointment of the Board of Statutory Auditors takes place on the basis of lists submitted by shareholders. Non-controlling shareholders - with no relevant connections, not even indirect, pursuant to art. 148, second paragraph, of the Consolidated Law on Finance and relative regulatory provisions - are responsible for the election of 1 Standing Auditor, who will be the Chair of the Board of Statutory Auditors, and 1 Alternate Auditor. The election of the minority Statutory Auditors shall take place at the same time as the election of the other members of the control body, except for the cases of replacement described below. Shareholders may submit a list for the appointment of members of the Board of Statutory Auditors if, when submitting the list, they own, individually or together with other submitting shareholders, a shareholding equal to at least that established by Consob pursuant to art. 144-*quater* of the Issuers' Regulation and determination no. 60 of 28 January 2022, which, with reference to the financial statements for the year ended 31 December 2021, defined this share as 2.5%. The lists are filed at the registered office at least 25 days prior to the date of the Shareholders' Meeting called upon to approve the appointment of the Statutory Auditors. The lists must contain the names of one or more candidates for the office of Standing Auditor and one or more candidates for the office of Alternate Auditor. Lists that - taking into account both the Standing Auditor section and the Alternate Auditor section - contain a number of candidates equal to or higher than 3, shall ensure the presence of both genders, with regard to both standing and alternate candidates, so that the resulting composition of the Board of Statutory Auditors allows the members of the least represented gender to make up - following the vote - for six consecutive terms of office starting from the first appointment after 1 January 2020, at least 2/5 of the elected Standing Auditors, rounded down to the lower unit in the case of a fraction.

The names of the candidates are marked in each section (Standing Auditors section, Alternate Auditors section) by a progressive number and, in any case, do not exceed the number of members of the body to be elected.

The lists also contain, possibly as attachments:

- (i) information concerning the identity of the shareholders who submitted them, with an indication of the total percentage shareholding; such possession shall be proven by a specific certificate issued by an intermediary, to be deposited by the deadline for the publication of the lists by the issuer;
- (ii) statement from the shareholders other than those who hold, also jointly, a controlling or relative majority interest, certifying the absence of connections as established in art. 144-*quinquies* of the Issuers' Regulation, with the latter;
- (iii) comprehensive information on the personal and professional characteristics of the candidates, as well

as a statement from the candidates that they comply with the requirements set forth by law and the Articles of Association and that they accept the candidacy, together with the list of management and control positions they hold in other companies;

- (iv) any other or different statement, information and/or document required by law and applicable regulations.

If, by the list submission deadline only 1 list has been submitted, or only lists submitted by shareholders who are connected with each other pursuant to the applicable provisions have been provided, lists may be submitted until the 3rd day following that date. In this case, the above-mentioned thresholds for the submission of lists are reduced by half. A shareholder may not submit or vote for more than 1 list, even through a third party or trust company. Shareholders belonging to the same group and shareholders party to a shareholders' agreement concerning the shares of the Issuer cannot submit or vote for more than 1 list, even through a third party or a trust company. A candidate may only be included on one list, under penalty of ineligibility.

The election of Statutory Auditors shall take place as follows: (i) 2 Standing Auditors and 1 Alternate Auditor are chosen from the list that obtained the highest number of votes ("**Majority List**"), according to the sequential order in which they are listed; (ii) 1 Standing Auditor, elected as the Chair of the Board of Statutory Auditors ("**Minority Auditor**") and 1 Alternate Auditor ("**Minority Alternate Auditor**") are chosen from the second list that obtained the highest number of votes and that is not connected, directly or indirectly, with the shareholders who submitted or voted for the Majority List pursuant to the applicable provisions ("**Minority List**"), according to the sequential order in which they are listed, all, in any event, in compliance with the rules on gender balance in the bodies of listed companies, as most recently updated by Law 160/2019. If the resulting composition of the body as a whole or the category of alternate auditors does not allow for compliance with gender balance, taking into account the order in which they are listed in the respective section, the last elected members of the Majority List of the most represented gender are considered not elected in the number necessary to ensure compliance with the requirement, and are replaced by the first unelected candidates from the same list of the least represented gender. In the absence of candidates of the least represented gender within the relevant section of the Majority List in a sufficient number to proceed with the replacement, the Shareholders' Meeting appoints the missing Standing or Alternate Auditors with the majorities required by law, to ensure that the requirement is met. In the event of a tie vote between lists, the list submitted by shareholders owning the largest shareholding at the time of submission of the list or, alternatively, by the largest number of shareholders, will prevail, in compliance with the rules on gender balance within the bodies of listed companies. If only one list is submitted, the Shareholders' Meeting shall vote on it and if it obtains the relative majority of voters (without taking into account abstainers), all candidates for such offices included on the list will be elected as Standing and Alternate Auditors, in compliance with the rules on gender balance within the bodies of listed companies. In this case, the Chair of the Board of Statutory Auditors is the first candidate for Standing Auditor. In the absence of lists, the Board of Statutory Auditors and the Chair are appointed by the Shareholders' Meeting with the ordinary majorities established by law, always in compliance with the rules on gender balance within

the bodies of listed companies. Should the Majority Statutory Auditor leave office for any reason whatsoever, he/she shall be replaced by the Alternate Auditor taken from the Majority List, in compliance with the rules on gender balance within the bodies of listed companies. Should the Minority Statutory Auditor leave office for any reason whatsoever, he/she shall be replaced by the Minority Alternate Auditor, in compliance with the rules on gender balance within the bodies of listed companies. The Shareholders' Meeting referred to in art. 2401, paragraph 1 of the Italian Civil Code appoints or replaces in compliance with the principle of the necessary representation of non-controlling shareholders and with the rules on gender balance within the bodies of listed companies.

## **11.2. Composition and functioning (pursuant to art. 123-*bis*, paragraph 2, letter d) and d-bis), Consolidated Law on Finance)**

The Board of Statutory Auditors of the Company in office as at the end of the Financial Year - consisting of 3 Standing Auditors and 2 Alternate Auditors in compliance with gender balance pursuant to art. 148, paragraph 1-*bis*, of the Consolidated Law on Finance - was appointed at the FNM Shareholders' Meeting held on 30 April 2021 (the "**New Board of Statutory Auditors**") with a term of office until the date of the Shareholders' Meeting called to approve the financial statements for the year ending on 31 December 2023. Following the resignation on 21 May 2021 of the Chair and Standing Auditor on the New Board of Statutory Auditors and one Alternate Auditor, the FNM Shareholders' Meeting held on 19 July 2021 appointed the new members needed to replace them to the Board of Statutory Auditors (the "**Integrated Board of Statutory Auditors**"), also granting them a term of office until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2023.

The Integrated Board of Statutory Auditors, in office at the end of the Financial Year, replaces the one appointed by the FNM Shareholders' Meeting held on 21 May 2018, with a term of office until the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2020 (the "**Previous Board of Statutory Auditors**").

The appointment of both the New Board of Statutory Auditors and the Integrated Board of Statutory Auditors was carried out in compliance with gender balance pursuant to art. 148, paragraph 1-*bis*, of the Consolidated Law on Finance, on the basis of candidates proposed by means of the submission of lists at the registered office.

As of the date of this Report, there have been no changes in the composition of the Integrated Board of Statutory Auditors since the end of the Financial Year.

### **New Board of Statutory Auditors**

With regard to the appointment of the New Board of Statutory Auditors, three lists of candidates were submitted by the deadline of 6 April 2021: one list by the majority shareholder Lombardy Region (conventionally called List 1), a second list (conventionally called List 2) by the shareholder Ferrovie dello Stato Italiane S.p.A. and a third list (conventionally called List 3) submitted by the Managers.

The Company published those 3 lists on 9 April 2021, according to the terms and methods set out by law and regulations in force.

The table below provides in greater detail the percentages of capital held by the above-mentioned Shareholders, the candidates proposed and those elected, as well as the percentage of votes obtained in relation to the voting capital.

List submitted by	% of share capital held	Candidate List	Elected Members List	% obtained in relation to the voting capital
Lombardy Region	57.574%	Roberta Eldangela BENEDETTI (Standing Auditor) Massimo CODARI (Standing Auditor) Roberta AROSIO (Standing Auditor) Myrta DE MOZZI (Alternate Auditor) Annibale PORRONE (Alternate Auditor)	Roberta Eldangela BENEDETTI (Standing Auditor) Massimo CODARI (Standing Auditor) Annibale PORRONE (Alternate Auditor)	250,390,250 shares in favour - 72.305% of the voting capital
Ferrovie dello Stato Italiane S.p.A.	14.740%	Umberto LA COMMARA (Standing Auditor) Valentina LUPI (Alternate Auditor)	Umberto LA COMMARA (Standing Auditor) Valentina LUPI (Alternate Auditor)	64,109,831 shares in favour - 18.513% of the voting capital
Managers	2.612%	Chiara SEGALA (Standing Auditor) Vieri CHIMENTI (Alternate Auditor).		31,707,538 shares in favour - 9.156% of the voting capital

No votes were cast against any of the slates.

The composition of the Company's New Board of Statutory Auditors and the relevant information for each of its members is set forth in Table 4.

A brief professional profile of the individual members of the New Board of Statutory Auditors is given below, also pursuant to art. 144-*decies* of the Issuers' Regulation.

**Umberto La Commara**, born in Naples on 7 August 1967 - **Chairman of the Board of Statutory Auditors**

Degree in Law, Economics and Commerce (with honours), Political Science (with honours) and Science of Economic and Financial Security (with honours), he is qualified as a lawyer, certified public accountant and auditor.

He is also enrolled in the Special Register of Barristers and in the Register of Experts at the Court of Rome.

From 1987 to 2001, he served as an officer in the Guardia di Finanza and from 1994 to 2001 held numerous teaching positions at the Guardia di Finanza Academy and the Tax Police School.

He has held positions on the control bodies of commercial companies operating in various economic sectors (social cooperation, telecommunications, transport, etc.), on the boards of directors of holding companies and commercial companies.

He currently practises as a lawyer, chartered accountant and auditor and holds positions on control bodies and supervisory bodies, including those of listed and public companies.

**Roberta Eldangela Benedetti**, born in Milan on 18 September 1969 - **Standing Auditor**

Degree in Economics Commerce from Università Cattolica del Sacro Cuore.

Registered with the Order of Chartered Accountants and Accounting Experts for the district of the Court of Milan, and the Register of Auditors at the Ministry of Economy and Finance.

She has collaborated with important professional firms and banks.

She is currently a chartered accountant and auditor and holds positions on the management, control and supervisory bodies of a number of companies, including companies operating in the banking, financial and insurance sectors.

Among other things, she holds the position of Standing Auditor of FERROVIENORD S.p.A., an FNM Group company.

Massimo Codari, born in Melegnano (MI) on 28 September 1961 - Standing Auditor

Degree in Business Economics from Bocconi University in Milan.

Member of the Order of Chartered Accountants and Accounting Experts for the district of the Court of Lodi.

Registered in the Register of Auditors at the Ministry of Economy and Finance.

Registered in the List of Auditors of Local Authorities at the Ministry of the Interior.

He has held positions on the control bodies of commercial companies, hospitals, local public bodies and investee companies of local public bodies.

Currently, he is also Standing Auditor of DIGITAL MAGICS S.p.A., a company listed on the FTSE Italia Growth, Standing Auditor of FERROVIENORD S.p.A., Alternate Auditor of FNMPAY S.p.A., both FNM Group companies, and Standing Auditor of TANGENZIALE ESTERNA S.p.A.

**Annibale Porrone**, born in Trani (BT) on 22 May 1943 - **Alternate Auditor**

Degree in Law from the University of Ferrara, he is enrolled in the Register of Lawyers of Milan and in the Register of Auditors of Milan.

He has held numerous positions, including on management bodies, in a number of public bodies.

He is currently a lawyer and auditor and holds positions on the management, control and supervisory bodies of a number of companies, including public companies.

**Valentina Lupi**, born in Imperia on 4 February 1982 - **Alternate Auditor**

Degree in Economics of Businesses and Markets (three-year degree) and in Economic and Business Sciences for Business Administration and Valuation (specialisation), she is a chartered accountant and auditor, registered in the Register of Chartered Accountants of Rome and in the Register of Auditors of Rome.

In 2017 she attended the Master's Programme in Management Control, Finance and Business Plans held by Ipsoa.

She holds positions on the management and control bodies of a number of commercial companies.

### **Integrated Board of Statutory Auditors**

Following the resignation tendered on 21 May 2021 by Mr Umberto La Commara, attorney, Standing Auditor and Chairman of the Board of Statutory Auditors of FNM, and Ms Valentina Lupi, Alternate Auditor - both taken from the minority list submitted by the shareholder Ferrovie dello Stato Italiane S.p.A. - the Company's Shareholders' Meeting, in order to reconstitute the Board of Statutory Auditors in the composition set out in art. 26 of the Articles of Association, the Board was called upon to approve the appointment of a Standing Auditor, who took on the position of Chair of the Board of Statutory Auditors, and an Alternate Auditor.

In this case, since the provisions set forth by the Articles of Association and by law establishing the mechanism of "voting by list" for the appointment of the entire Board of Statutory Auditors did not apply, the resolutions were passed by majority vote - with the provision that any vote expressed by the Shareholder the Lombardy Region would not be taken into account (as it submitted the list that obtained the majority in the election of the New Board of Statutory Auditors) - on the candidates for the appointment of a Standing Auditor and an Alternate Auditor submitted by the shareholders in order to replace the outgoing members of the New Board of Statutory Auditors, in compliance with the principle of the necessary representation of non-controlling shareholders and gender balance, pursuant to the Articles of Association and legislation and regulations in force.

To this end, the shareholder Ferrovie dello Stato Italiane S.p.A. submitted 1 candidacy proposal for the position of Chair of the Board of Statutory Auditors and 1 candidacy proposal for the position of Alternate Auditor.

The Managers did not submit any candidates.

Within the terms and according to the procedures set out in legislation and regulations in force, the Company published the above-mentioned candidate proposal, with the related resolution proposal, and the relative attached documentation.

The candidate Eugenio Pinto was appointed Standing Auditor and Chairman of the Board of Statutory Auditors with 80,708,267 shares in favour, equal to 24.226% of the shares taking part in the vote and 18.558% of the Company's share capital. The candidate Marianna Tognoni was appointed Alternate Auditor with 80,708,267 shares in favour, equal to 24.226% of the shares taking part in the vote and 18.558% of the share capital.

The Meeting also decided that: (i) the above-mentioned members will remain in office until the end of the term assigned by the Shareholders' Meeting of 30 April 2021 to the New Board of Statutory Auditors, i.e. until the date of the Shareholders' Meeting that will approve the financial statements as at 31 December 2023, and that (ii) the remuneration established in favour of the above-mentioned members corresponds to that determined by the Shareholders' Meeting of 30 April 2021 for the New Board of Statutory Auditors.



The composition of the Company's Integrated Board of Statutory Auditors and the relevant information for each of its members is set forth in Table 4.

In compliance with Principle VIII of the CG Code, due to the appointment of 1 Standing Auditor (who holds the position of Chair of the control body) and 1 Alternate Auditor and having taken into account the professional and personal profile of the members of the Integrated Board of Statutory Auditors, it is believed that its current composition ensures the necessary independence and professionalism.

A brief professional profile of the individual members of the Integrated Board of Statutory Auditors is given below, also pursuant to art. 144-*decies* of the Issuers' Regulation.

**Eugenio Pinto**, born in Taranto on 20 September 1959 - **Chairman of the Board of Statutory Auditors**

He graduated with honours in Economics and Business from "La Sapienza" University of Rome. Author of numerous scientific publications, since 1984 he has been teaching, researching and studying Business Economics at the Faculty of Economics of "LUISS-Guido Carli" and "La Sapienza" Universities in Rome. Currently, he is a tenured professor of the Business Economics cluster at the Faculty of Economics, Luiss-Guido Carli University and teaches undergraduate and post graduate courses.

He was previously a member of the Executive Committee of OIC - Organismo Italiano Contabilità (Italian Accounting Standard Setter). He is the Chairman of the Board of Statutory Auditors of Assonime, the Association of Italian Joint Stock Companies. He has been enrolled in the Register of Chartered Accountants for the district of the Court of Rome since April 1986 and in the Register of Technical Consultants of the Judge of the Court of Rome since November 1988.

He has been on the Register of Auditors since 1995. He carries out economic and financial consultancy activities on behalf of leading Italian and foreign public and private entities and has repeatedly acted as a member of the Supervisory Committee of banks placed under extraordinary administration and in compulsory administrative liquidation by appointment of the Governor of the Bank of Italy, as well as Member and Chairman of the Supervisory Body of listed and unlisted companies.

He is a standing auditor of Nexi S.p.A., Open Fiber and Open Fiber Holding S.p.A., as well as an independent director of Banor SIM S.p.A.

**Roberta Eldangela Benedetti**, see above.

**Massimo Codari**, see above.

**Hannibal Porrone**, see above.

**Marianna Tognoni**, born in Rome on 27 April 1965 - **Alternate Auditor**

Registered with the Order of Chartered Accountants and Accounting Experts for the district of the Court of Rome and the Register of Auditors.

She has collaborated with major professional firms and commercial companies.

She has held positions on the control bodies of a number of companies, including supervised companies, and is the author of many publications.

She is currently a chartered accountant and holds positions on the supervisory bodies and boards of directors of various companies, including supervised companies.

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During the Financial Year, the previous Board of Statutory Auditors met on 16 occasions, while the New Board of Statutory Auditors met on 2 occasions and the Integrated New Board of Statutory Auditors met 4 times, considering meetings to be individual meetings broken down into several parts even if they took place on different days, with an average of about 7 hours and 15 minutes for the previous Board of Statutory Auditors, 50 minutes for the New Board of Statutory Auditors and 1 hour and 30 minutes for the Integrated New Board of Statutory Auditors.

For the current financial year and until the date of this Report, 3 meetings have been held (always considering as individual meetings those that took place in several parts, even if on different days).

Since its first meetings in its current composition, the Board of Statutory Auditors has agreed with both the main guidelines regarding its activities and the relative planning and the support of the Company's employees in compliance with the suggestions of the Rules of Conduct of the Board of Statutory Auditors of Listed Companies updated by the National Council of Accountants and Auditors most recently in April 2018 (see Rule Q.2.1).

### **Diversity Criteria and Policies**

The Company has applied diversity criteria, including gender criteria, in the composition of the Board of Statutory Auditors, in order to ensure adequate expertise and professionalism of its members.

In this regard, on 28 January 2021, the FNM Board of Directors approved the amendment of articles 17 and 26 of the Articles of Association, bringing them into line with the provisions of Law 160/2019, which amended arts. 147-*ter* and 148 of the Consolidated Law on Finance, establishing that the election of Statutory Auditors must be carried out based on an approach ensuring gender balance, establishing that at least 2/5 of the elected Standing Auditors, with regard to the control body, should be of the least represented gender. With regard to the other diversity criteria and without prejudice to the fundamental requirements of skill, integrity, professionalism and independence of the Statutory Auditors, the Company has identified criteria aimed at ensuring an adequate composition of the control body for the performance of the supervisory duties assigned to it.

In particular, in implementation of the provisions of art. 123-*bis*, paragraph 2, letter d-*bis*) of the Consolidated Law on Finance, the Board of Statutory Auditors, in a decision dated 25 February 2022, updated the diversity policy in relation to the composition of FNM's control body as approved on 4 April 2018 (the "**Board Diversity Policy**").

This Board Diversity Policy aims to identify the optimal features of the composition of the Board of Statutory Auditors so that it can effectively fulfil its supervisory duties, taking decisions that can concretely benefit from the contribution of a range of qualified, diverse points of view, which enables it to examine issues for discussion from different perspectives.

In accordance with Recommendation 8 of the Code, the Board Diversity Policy specifically provides that:

- (i) the majority of Statutory Auditors should be registered auditors;
- (ii) the composition of the Board of Statutory Auditors must ensure a balance between genders, also in compliance with provisions of law and the Articles of Association in force from time to time, both at the time of appointment and during the term of office;

- (iii) it is desirable to have a balanced combination of different age ranges within the Board of Statutory Auditors, so as to allow for a balanced plurality of perspectives and experiences;
- (iv) the Board of Statutory Auditors should be made up for the most part of persons who have knowledge and skills in the business sector in which FNM operates or in sectors of activity related to those of the Company and indicated in the Articles of Association;
- (v) the Statutory Auditors should be represented by figures with a professional and/or academic and/or institutional profile such so as to achieve a mix of different and complementary skills and experience which, due to its characteristics, can allow for the optimal performance of the supervisory functions entrusted to the Board of Statutory Auditors. In particular:
  - (a) the professional profiles should have gained skills and experience in positions of responsibility within accredited professional firms, advisory firms, institutions or other organisations and have carried out their professional activities in economic, accounting, legal (particularly with reference to the areas of commercial, corporate, tax, bankruptcy and financial market law), financial and risk management matters, with particular relevance to company activities;
  - (b) the academic and/or institutional profiles should possess skills and experience that, due to their characteristics, can allow for an optimal performance of the supervisory functions assigned to the Board of Statutory Auditors;
- (vi) the Chair of the Board of Statutory Auditors should be a person with sufficient experience and authority to ensure that the work of the Board of Statutory Auditors is adequately coordinated with the activities carried out by the other parties involved in various capacities in the Company's internal control and risk management system, in order to maximise the effectiveness and efficiency of internal controls and reduce the duplication of activities. The Chair should ensure the correct, efficient and effective management of the functioning of the Board of Statutory Auditors, within which he has the task of creating a strong spirit of cohesion, while representing a reliable figure for all shareholders and stakeholders.

In order for the Board of Statutory Auditors to be able to most effectively carry out its supervisory duties, in addition to the requirements in terms of diversity set forth above, it is considered essential for all members to guarantee adequate availability of time for the diligent and responsible performance of the duties assigned to them, taking into account the number and type of additional duties in other companies, in compliance with regulations in force.

The composition of the Integrated Board of Statutory Auditors meets the criteria of the Board Diversity Policy in that:

- (i) all standing members are enrolled in the register of legal auditors;
- (ii) it ensures gender balance;
- (iii) it ensures an appropriate mix of professional, academic and public-institutional skills and experience, considering that: (a) 1 member (Prof. Eugenio Pinto) carries out academic activities in the field of Business Economics and is, or has been, a member of important ministerial scientific

committees as well as a consultant to the Treasury Department in the Ministry of Economy and Finance; (b) 2 members (Ms Benedetti and Mr Codari) hold positions in other FNM Group companies, 1 of which (FERROVIENORD) holds public concessions; and (c) all members hold or have held positions in companies, including listed companies, banks and financial institutions.

In compliance with Recommendation 8, it is specified that 1/3 of the members of the Integrated Board of Statutory Auditors (i.e. 1 Standing Auditor and 1 Alternate Auditor) belong to the least represented gender. Moreover, during the appointment of the Board of Statutory Auditors at the Shareholders' Meeting of 30 April 2021 and its integration at the Shareholders' Meeting of 19 July 2021, in the explanatory report on the items on the agenda for the above-mentioned meetings, the Board of Directors invited the shareholders to take into account, for the submission of the lists, the criteria laid out in the Board Diversity Policy. These guidelines have been taken into account by the shareholders that submitted lists for the appointment of the members of the New Board of Statutory Auditors and by shareholder Ferrovie dello Stato Italiane S.p.A., which submitted the candidacy proposals for the Integrated Board of Statutory Auditors.

### **Independence**

The procedure normally followed by the Board of Statutory Auditors in order to verify independence establishes that the fulfilment of the independence requirements set out in art. 148, paragraph 3 of the Consolidated Law on Finance and the Code is verified by the Board of Statutory Auditors (i) during the first meeting held after appointment and (ii) subsequently, at least once a year, on the basis of an assessment based on the principle of prevalence of substance over form.

In this regard, it should be noted that the New Board of Statutory Auditors verified the fulfilment of the independence requirements for each of its members, in compliance with the above-mentioned provisions, and ascertained on 5 May 2021 (date of the first possible meeting following appointment), 28 July (with regard to the newly appointed Chair of the Board of Statutory Auditors only), again on 22 October 2021 with reference to the results of the correlation statements and, lastly, during the current financial year, at the meeting held on 25 February 2022, the continuing fulfilment of such independence requirements for each member, transmitting the results of these checks to the Board.

In carrying out the above-mentioned assessments referred to in Recommendation 9 of the Code, (i) all necessary or useful elements were taken into account - on the basis of all available information (including, inter alia, the correlation statements) and any circumstance that could affect or appear to affect independence - by verifying that all members of the Board of Statutory Auditors complied with the independence requirements set out in Recommendation 7 of the CG Code for Directors; and (ii) with respect to the quantitative and qualitative criteria to assess the significance of the relevant circumstances pursuant to the Code with regard to the assessment of the Statutory Auditors' independence, it should be noted that - although not formalised in a specific resolution of the Board of Statutory Auditors - the same criteria identified in the Framework Resolution and in the BoD Regulation with regard to the Directors have been applied.

During the current financial year, the Board of Statutory Auditors may assess the formal adoption of specific qualitative and quantitative criteria with reference to the independence requirements.

### **Remuneration**

FNM's Remuneration Policy establishes that the remuneration of the members of the Board of Statutory Auditors must be adequate to the skill, professionalism and commitment required by the importance of the role covered and the size and sector characteristics of FNM.

In particular - at the proposal of the shareholder the Lombardy Region - the Shareholders' Meeting that appointed the New Board of Statutory Auditors set the remuneration of the members of the Board of Statutory Auditors at EUR 60,000.00 per year for the Chair and EUR 45,000.00 per year for each Standing Auditor.

This remuneration has been deemed adequate by the shareholders in view of what is set forth above.

### **Management of interests**

With reference to Recommendation 37 of the Code, as mentioned in the Framework Resolution, the members of the New Board of Statutory Auditors (as at the date of this Report, the Integrated Board of Statutory Auditors) are required to confirm that, if one of them - on its own behalf or on behalf of third parties - has an interest in a certain transaction of the Issuer, this person must promptly and exhaustively inform the other Statutory Auditors and the Chair of the Board about the nature, terms, origin and extent of his/her interest.

In addition, in carrying out its activities, the Integrated Board of Statutory Auditors constantly exchanges information with the Internal Audit and Risk Management Function, the Supervisory Body and the Control and Risks Committee (*i.e.* Control, Risks and Related Party Transactions Committee), whose meetings are attended by the Chair of the Integrated Board of Statutory Auditors or another Statutory Auditor designated by him/her.

Moreover, during the Financial Year, the Integrated Board of Statutory Auditors coordinated with the Control and Risks Committee (*i.e.* Control, Risks and Related Party Transactions Committee) - the meetings of which were usually attended by the Chair or by a Statutory Auditor delegated by him/her - as well as the Internal Audit and Risk Management Function.

## **12. RELATIONS WITH SHAREHOLDERS**

The Board endeavours to maintain an ongoing, open and transparent dialogue with shareholders, bondholders, stakeholders and the financial community in general, ensuring the systematic dissemination of comprehensive and timely information on its activities. The policy of communication with shareholders, bondholders, stakeholders and the financial community in general is based on the dissemination of complete and correct information on the results, initiatives and strategies of the company, in compliance with the rules dictated by (i) Italian and European laws and regulations on the subject of "inside" information and public disclosure obligations, as well as (ii) Consob and the Italian Stock Exchange, also taking into account the confidentiality requirements to which certain information may be subject. With this in mind, disclosure to the financial market is ensured through press releases, periodic meetings with institutional investors in

particular and with the financial community, as well as continuously updated documentation and information made available on the Company's website. In particular, the FNM website contains two specific, easily identifiable and accessible sections, called "Governance" and "Investor", in which the main corporate and governance documents, press releases (including those deemed "price sensitive"), presentations and any other material relating to financial communications that are of importance to shareholders, bondholders, stakeholders and the financial community at large are published, which constitute a key tool for conveying information about the Company to the public, including its financial results, strategic developments, stock market price trends and calendar of corporate events.

With the aim of providing a full and detailed presentation of the financial data and strategies, starting from March of the Financial Year, the Chair and General Manager of FNM together with the Chief Financial Officer and the Investor Relations Manager have presented the company's results (quarterly, half-yearly and annual) to the market through dedicated audio webcasts; in addition, as part of an in-person event with live webcast, on 17 September 2021 the top management described to the financial market and subsequently to the press the 2021-2025 Strategic Plan approved on 16 September 2021 by the FNM Board of Directors.

With regard to dialogue with institutional investors and the financial community in general, the Financial Year was characterised by the Company's participation in four roadshows - one of which linked to the communication of the 2021-2025 Strategic Plan and one to the launch of the EUR 650 million bond issue - which generated around 40 one-to-one or group meetings, conducted primarily with the aid of digital systems.

Relations with shareholders, bondholders, stakeholders and the financial community in general are engaged in on an ongoing basis by the Investor Relations Function, which is part of the Finance and Development Department and represents the first point of interaction with shareholders and the financial market. The role of Investor Relations Manager is entrusted to Ms Valeria Minazzi, who may be contacted directly at [valeria.minazzi@fnmgroup.it](mailto:valeria.minazzi@fnmgroup.it) or [investor.relations@fnmgroup.it](mailto:investor.relations@fnmgroup.it).

Furthermore, please note that the Company's creditworthiness has been evaluated as investment grade by two leading rating agencies, with Fitch assigning it a rating of BBB with stable outlook (increased from BBB-with stable outlook, as announced on 20 December 2021) and Moody's assigning it a rating of Baa3 with stable outlook. Both ratings also apply to the EMTN Programme (Euro Medium Term Note Programme), the constitution of which was approved on 16 September 2021, and the EUR 650 million bond issue placed on 13 October 2021. With a view to better and more timely communication to shareholders, bondholders and stakeholders in general, the Company has set up a specific chapter in the "Investor " section of its website called "Debt and Credit Rating", which provides the main information about the EMTN Programme and the Bond and shows the official ratings assigned to FNM by Moody's and Fitch, representing the Company's creditworthiness and the stability of its financial structure.

In addition, as anticipated in Paragraph 4.1 (*Role of the Board of Directors*) above, it should be noted that by resolution of the Board of Directors of 23 February 2022 - at the proposal of and in agreement with the Chair and Chief Executive Officer - the Engagement Policy was approved, with the aim of ensuring that

the dialogue that the Company engages in with investors and all shareholders, bondholders, stakeholders and the financial community in general is inspired by the principles of fairness and transparency and can be carried out in compliance with (i) EU and national regulations on market abuse and (ii) the relative implementing provisions (European and national) concerning the management and public disclosure of “inside information”.

The Engagement Policy also takes into account the provisions of best practices in terms of engagement policies adopted by institutional investors and asset managers, in line with the recommendations of the Code.

In particular, the proactive pursuit of two-way interaction between FNM, all of its shareholders (the “**Shareholders**”) and the holders of other financial instruments issued by the Company, institutional investors, asset managers and associations representing them - current and potential - as well as rating agencies and voting consultants (the “**Stakeholders**”) is deemed essential:

- (i) to help the Board of Directors learn about the opinions, expectations and perceptions of the market on relevant issues so that they can be taken into account in the performance of its duties;
- (ii) to establish and maintain channels for dialogue and participation in addition to the Shareholders’ Meeting which, without prejudice to the powers of the Shareholders in that forum, make it possible to encourage their constant involvement in the life of the Company and the Group;
- (iii) to increase the level of understanding of the operation, strategies and performance of the Company and the Group on the part of Shareholders and Stakeholders in order to guide investment choices and the informed exercise of company rights.

Pursuant to the Engagement Policy, the topics to be discussed in the framework of the dialogue with Shareholders and Stakeholders may concern, *inter alia*, the activities, management trends, economic, financial and operational performance of FNM and the Group, strategy (including the strategic plan, announced investments and targets), environmental, social and governance issues (ESG topics), dividend policy, the performance of securities and financial instruments issued by FNM, the competitive and regulatory environment, the internal control and risk management system, the share capital structure, the practices and disclosure on corporate governance, extraordinary transactions (e.g. mergers, demergers or, in general, acquisitions of companies), transactions announced or entered into with related parties, the structure and composition of corporate bodies, the management of regulatory issues of relevance to the Company and the Group, policies on the remuneration of directors and key management personnel, transparency and corporate communication to the market, as well as extraordinary or particularly significant events that may have a significant impact on the prospects or reputation of FNM and the Group.

In addition, the main parties responsible for implementing the Engagement Policy within FNM are, according to their respective responsibilities: (i) the Board of Directors; (ii) the Chair of the Board of Directors; (iii) the General Manager; (iv) the Chief Financial Officer; and (v) the Investor Relator.

As regards the communication tools designed to ensure constant interaction between the Company, shareholders and Stakeholders, they include - among others - (i) the Shareholders’ Meeting; (ii) the dissemination of timely and comprehensive information on FNM’s activities; (iii) the website; and (iv)

events, road shows, meetings (one-to-one and/or group) and conference calls, with Shareholders and Stakeholders.

The Engagement Policy is effective as of 23 February 2022 and is made available on the Company's website: <https://www.fnmgroup.it/it/documenti-e-procedure-fnm>.

### **13. SHAREHOLDERS' MEETINGS (pursuant to art. 123-bis, paragraph 1, letter l) and paragraph 2, letter c), Consolidated Law on Finance)**

As set forth in art. 10 of the Articles of Association, the Shareholders' Meeting is called by means of a notice to be published on the Company's website, as well as by any other means provided for by applicable legal and regulatory provisions. The same notice may also specify the date of the second meeting to be held if the first is not quorate. If the shareholders attending on second call do not represent the part of the share capital required reach a quorum, the Extraordinary Shareholders' Meeting may be reconvened within 30 (thirty) days. In this case, the time limit for publication of the notice will be reduced to 10 (ten) days. Those who have the right to vote and are entitled to do so in accordance with the law may attend the Shareholders' Meeting. Resolutions of the Ordinary Shareholders' Meeting shall be valid if passed with the attendance and majorities established by law. The Extraordinary Shareholders' Meeting always passes resolutions with the favourable vote of a number of shareholders representing more than half of the share capital, as well as at least 2/3 of the capital represented at the meeting. The Shareholders' Meeting passes resolutions on matters under its responsibility in accordance with legislation in force.

The Shareholders' Meeting of 30 April 2001 adopted its own Shareholders' Meeting Regulations (available on the Company's website at [www.fnmgroup.it](http://www.fnmgroup.it)), subsequently updated on 28 April 2017, which govern the proceedings of the Company's Ordinary and Extraordinary Shareholders' Meetings and, to the extent compatible, any special category meetings and Bondholders' Meetings.

Anyone participating as a representative of shareholdings has the right to speak on each of the items on the agenda. Those who intend to speak must ask the Chair to do so by submitting a written request containing an indication of the item to which the request refers, after he/she has read out the items on the agenda and until he/she has declared discussion of the item to which the request to speak refers closed. The Chair may authorise the submission of requests to speak by a show of hands; in this case the Chair will grant the floor according to the chronological order of the request. The shareholder may be represented at the Shareholders' Meeting by means of a written proxy granted in accordance with the law. The electronic proxy notification may be carried out by using a specific section of the Company's website according to the methods set forth in the meeting notice or, alternatively, by certified e-mail, to the address indicated in the meeting notice. For each Shareholders' Meeting, the Company may designate a party to whom shareholders may confer - according to the procedures set forth by law and regulations, by the end of the second trading day prior to the date scheduled for the Shareholders' Meeting in first or single call - a proxy with voting instructions on all or some of the proposals on the agenda. The proxy has no effect with respect to proposals for which no voting instructions have been given.

For the purposes of attendance at the Shareholders' Meeting, the rules set out in art. 83-*sexies* of the



Consolidated Law on Finance apply, and accordingly, the Shareholders' Meeting may be attended by those persons entitled to vote in favour of whom authorised intermediaries have sent the dedicated notification to the Company - within legal terms - in compliance with their accounting entries, on the basis of records relating to the end of the accounting day on the seventh trading day prior to the date scheduled for the Shareholders' Meeting in first or single call; pursuant to legislation in force, those who hold shares only after that date are not entitled to attend and vote at the Shareholders' Meeting. Pursuant to art. 3 of the Shareholders' Meeting Regulations and in compliance with the joint provisions of articles 12 and 15 of the Articles of Association, the Chair of the Shareholders' Meeting is responsible for ascertaining the right of each party to attend, also with regard to compliance with the provisions concerning proxy representation. It should be noted that there are no multiple-vote shares, nor has the Company introduced to date the increased voting rights mechanism laid out in art. 127-*quinquies* of the Consolidated Law on Finance. During the Financial Year, 2 Shareholders' Meetings were held, on 30 April 2021 and 19 July 2021, respectively.

Due to the COVID-19 epidemiological emergency, and in compliance with fundamental principles of health protection for shareholders, employees, representatives and consultants of the Company, participation in the Shareholders' Meeting by Shareholders and the exercise of voting rights took place - in accordance with the provisions of the emergency legislation in force, including, in particular, Law Decree 18/2020 - exclusively by means of a proxy granted to the Designated Representative and the shareholders' meetings were held in the sole physical presence, at the place where the meeting was convened, of the Chair and the Notary Public in charge of taking minutes of the meeting.

Therefore, it is clarified that: (i) at the meeting held on 30 April 2021, 3 out of 5 directors attended on behalf of the Board of Directors, since, in addition to the Chairman Andrea Angelo Gibelli who was physically present, the Deputy Chairman Gianantonio Arnoldi and the director Mirja Cartia d'Asero were also present, both via audio/video connection, and for the Board of Statutory Auditors, all members of the body participated, i.e. the Chairman Paolo Prandi and the Standing Auditors Massimo Codari and Giussi Mainetti, all via audio/video connection; and (ii) the shareholders' meeting of 19 July 2021 was attended, for the Board of Directors, by 3 out of 5 directors, since, in addition to the Chairman Andrea Angelo Gibelli who was physically present, the Deputy Chairman Gianantonio Arnoldi and the director Mauro Miccio were also present, both via audio/video link, and for the Board of Statutory Auditors, by all members of the body, namely the Chairman Umberto La Commara and the Standing Auditors Massimo Codari and Roberta Eldangela Benedetti, all via audio/video link.

During both of the shareholders' meetings mentioned above, the Company made available to the public documentation concerning the items on the agenda by means of publication on its website, so as to guarantee adequate information to the shareholders, allowing them to make informed decisions on the matters under their responsibility.

Finally, it should be pointed out that during the Financial Year the capitalisation of the Company's shares - as recorded in the Italian Stock Exchange - increased from approximately EUR 247.9 million as at 30 December 2020 to approximately EUR 267.0 million as at 30 December 2021.

With reference to the Financial Year, also taking into account the particular methods of carrying out the Shareholders' Meeting of 30 April 2021, which was held in the presence of the "designed representative" only and without the participation of shareholders, the Committee Chairs did not report on the methods of exercising the functions of such Committees.

Finally, the Board of Directors - on the occasion of the appointment of the corporate officers on 30 April 2021 - (i) provided its own guidelines on its composition, in line with the provisions of the Diversity Policy and (ii) invited the shareholders to take into account, for the purpose of submitting the lists, the criteria set forth in the Board Diversity Policy.

On the contrary, the Board of Directors did not deem it necessary to draw up proposals concerning (i) the choice and characteristics of the corporate model; (ii) the structure of share administrative and financial rights; and (iii) the percentages established for the exercise of the prerogatives intended to protect non-controlling shareholders, since it deemed the provisions contained in the Articles of Association to be adequate.

#### **14. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (PURSUANT TO ART. 123-BIS, PARAGRAPH 2, LETTER A), CONSOLIDATED LAW ON FINANCE)**

The Company has applied the following corporate governance practices in addition to those deriving from the laws and regulations in force.

As indicated in Section 6 (Board Committees), the Issuer has set up (i) the Social Responsibility and Ethics Committee and (ii) the Committee for the Designation of the Corporate Bodies of the FNM Group Companies.

##### ***Whistleblowing***

By resolution of 27 September 2016, the Board of Directors has established a special whistleblowing system in order to implement the company's internal control and risk management system by providing it with a specific and confidential information channel, which is also able to guarantee reporter anonymity.

##### **Certification of the "FNM Anti-Corruption System"**

The "FNM Anti-Corruption System" is the corruption prevention system adopted by the FNM Group which is substantiated by the application of the FNM Anti-Corruption Policy and in compliance with (i) the national and international legal and regulatory framework on anti-corruption, (ii) the policies, procedures and regulations adopted, (iii) the Code of Ethics and Conduct of the FNM Group and (iv) the Organisation, Management and Control Model pursuant to Leg. Dec. 231/2001.

FNM Group was the first company in the mobility and transport sector in Italy to have obtained the UNI ISO 37001:2016 "Anti bribery management system" certification, recognised by Accredia (National body for the accreditation of certification and inspection bodies). The certification, issued on 19 April 2018 and most recently confirmed on 5 November 2021 at the conclusion of the annual independent verification process carried out by IMQ (accredited certification body, leader in conformity assessment in Italy), attests to the adoption by FNM and its subsidiaries of standards for the management of corporate processes and activities aligned with national and international best practices.

### **The 2021-2023 Compliance Plan**

The 2021-2023 Compliance Plan - approved by the Board of Directors at its meeting on 18 March 2021 - contains the planning of Compliance activities for the 2021-2023 three-year period and the breakdown of objectives, including the qualitative-operational objectives envisaged for the Anti-Corruption System, in accordance with the requirements of the UNI ISO 37001:2016 standard.

### **15. CHANGES SINCE THE END OF THE REFERENCE FINANCIAL YEAR**

It should be noted that no changes have been made in the Company's corporate governance structure since the end of the Financial Year.

### **16. CONSIDERATIONS ON THE LETTER DATED 3 DECEMBER 2021 FROM THE CHAIR OF THE CORPORATE GOVERNANCE COMMITTEE**

The Company received the letter dated 3 December 2021 from the Chair of the Corporate Governance Committee, addressed to the Chairs of the administrative bodies and the Chairs of the control bodies of Italian listed companies.

The recommendations made in such letter (i) were examined by the Remuneration Committee at its meeting on 18 March 2022 (limited to the recommendations concerning the subject of remuneration), (ii) were specifically considered by the Board of Directors at its meeting on 9 March 2022 during the self-assessment as well as at the meeting to approve this Report on 18 March 2022 and (iii) were specifically examined by the Board of Statutory Auditors at its meeting on 20 December 2021.

With reference to shareholder dialogue policies, reference should be made to Section 12 (*Relations with Shareholders*) above.

With respect to FNM's classification as a concentrated ownership company which is not large, refer to Section 3 (*Compliance*) of the Report.

With regard to Director independence requirements and the relative significance criteria used, reference should be made to Paragraph 4.7 (*Independent Directors*).

With regard to pre-board and Committee disclosure, as well as the BoD Regulation and the Regulations of the Committees, reference should be made to Sections 4 (*Board of Directors*) and 6 (*Board Committees*).

With regard to the issue of gender equality, please refer to Paragraphs 4.3 (*Composition*) and 12.2 (*Composition and functioning*) of the Report.

Lastly, with regard to the Remuneration Policy, reference should be made to the Remuneration Report.

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Milan, 18 March 2022

On behalf of the Board of Directors  
The Chairman  
Andrea Angelo Gibelli

**TABLE 1: INFORMATION ON OWNERSHIP STRUCTURES**

<b>Security category</b>	<b>No. of shares</b>	<b>% of share capital</b>	<b>Market on which the shares are listed</b>	<b>Rights and obligations</b>
Ordinary shares	434,902,568	100	Italian Stock Exchange MTA	The shares are registered, freely transferable, indivisible and confer the right to vote at ordinary and extraordinary shareholders' meetings as well as the right to participate in the profits
Multiple-vote shares	-	-	-	-
Shares with limited voting rights	-	-	-	-
Shares with no voting rights	-	-	-	-
Other	-	-	-	-

<b>OTHER FINANCIAL INSTRUMENTS</b> <b>(granting the right to subscribe newly issued shares)</b>				
	Listed (indicate markets) / unlisted	No. of instruments outstanding	Category of shares for conversion/exercise	No. of shares for conversion/exercise
Convertible Bonds	-	-	-	-
Warrants	-	-	-	-

<b>SIGNIFICANT SHAREHOLDINGS</b>				
<b>DECLARANT</b>	<b>DIRECT SHAREHOLDER</b>		<b>% SHARE OF ORDINARY CAPITAL</b>	<b>% SHARE OF VOTING CAPITAL</b>
LOMBARDY REGION	LOMBARDY REGION	250,390,250	57.57%	57.57%
FERROVIE DELLO STATO SOCIETÀ TRASPORTI E SERVIZI	FERROVIE DELLO STATO ITALIANE S.P.A.	64,109,831	14.74%	14.74%

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

Board of Directors													Control, Risks and RPT Committee (***)		Remuneration Committee		Appointments Committee		Executive Committee, <i>if any</i>	
Role	Members	Year of birth	Date of first appointment *	In office since	In office until	List **	Exec .	Non-exec.	Indep . Code	Indep . TUF	Number of other offices ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chair • ◇	Andrea Angelo GIBELLI	1967	21/05/2018	30/04/2021	Approv. 2023 Financial Statements	M	X				0	13/13	=	=	=	=	=	=	=	=
Deputy Chair ○	Gianantonio ARNOLDI	1958	21/05/2018	30/04/2021	Approv. 2023 Financial Statements	M		X	X	X	0	13/13	7/7	C	3/3	M	=	=	=	=
Director	Tiziana BORTOT	1965	21/05/2018	30/04/2021	Approv. 2023 Financial	M		X	X	X	0	13/13	7/7	M	3/3	M	=	=	=	=

					Statem ents															
<b>Director</b>	Barbara Lilla BOSCHETTI	1974	30/04/20 21	30/04/20 21	Appro v. 2023 Financi al Statem ents	M		X	X	X	0	13/13	7/7	M	=	=	=	=	=	=
<b>Director</b>	Ivo Roberto CASSETTA	1962	30/04/20 21	30/04/20 21	Appro v. 2023 Financi al Statem ents	M	X				0	13/13	=	=	=	=	=	=	=	=
<b>Director</b>	Marcella CARADON NA	1959	30/04/20 21	30/04/20 21	Appro v. 2023 Financi al Statem ents	M		X	X	X	0	12/13	=	=	3/3	C	=	=	=	=
<b>Director</b>	Mauro MICCIO	1955	30/04/20 21	30/04/20 21	Appro v. 2023 Financi al Statem ents	M		X	X	X	0	13/13	=	=	=	=	=	=	=	=
<b>Chair • ♦</b>	Andrea Angelo	1967	21/05/20 18	21/05/20 18	Appro v. 2020	M	X				0	4/4	=	=	=	=	=	=	=	=

	GIBELLI				Financi al Statem ents															
<b>Deputy Chair</b> ○	Gianantonio ARNOLDI	1958	21/05/20 18	21/05/20 18	Appro v. 2020 Financi al Statem ents	M		X	X	X	0	4/4	5/5	C	4/4	M	=	=	=	=
<b>Director</b>	Giuseppe BONOMI	1958	30/04/20 21	21/05/20 18	Appro v. 2020 Financi al Statem ents	M	X				1	4/4	=	=	=	=	=	=	=	
<b>Director</b>	Tiziana BORTOT	1965	21/05/20 18		Appro v. 2020 Financi al Statem ents	M		X	X	X	0	4/4	5/5	M	4/4	M	=	=	=	=
<b>Director</b>	Mirja CARTIA d'ASERO	1969	21/05/20 18		Appro v. 2020 Financi al Statem ents	m		X	X	X	3	4/4	5/5	M	4/4	C	=	=	=	=



Number of meetings held during the reporting year: 17	Control, Risks and RPT Committee: 12	Remunerati on Committee: 7	Appointments Committee: =	Executive Committee: =
Indicate the quorum required for the submission of lists by non-controlling shareholders for the election of one or more members (pursuant to art. 147-ter, Consolidated Law on Finance): 2.5%				

## NOTES

The symbols below should be entered in the “Role” column:

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

- ◇ This symbol indicates the person primarily responsible for the management of the issuer (Chief Executive Officer or CEO).

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

\* The date of first appointment of each director means the date on which the director was first appointed (ever) to the Board of Directors of the issuer.

\*\* This column shows the list from which each director was taken (“M”: majority list; “m”: minority list; “B.o.D.”: list submitted by the Board of Directors).

\*\*\* This column shows the number of director or statutory auditor roles held by the person in question in other financial, banking or insurance companies or any company of significant size listed in regulated markets, included those located abroad. In the Corporate Governance Report, the positions are described in full.

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

(\*\*) This column indicates the director’s title within the Committee: “C”: Chair; “M”: Member.

(\*\*\*) Effective 1 June 2018, the Control and Risks Committee was merged with the Related Party Transactions Committee.

**TABLE 3: LIST OF OFFICES HELD BY THE DIRECTORS IN OTHER COMPANIES LISTED IN REGULATED MARKETS (INCLUDING**

**FOREIGN MARKETS), IN FINANCIAL, BANKING, INSURANCE OR LARGE-SIZED COMPANIES**

<b>Name and Surname</b>	<b>Company</b>	<b>Role in the company</b>
Andrea Angelo GIBELLI	-	-
Gianantonio ARNOLDI	-	-
Tiziana BORTOT	-	-
Barbara Lilla BOSCHETTI	-	-
Marcella CARADONNA	ENI S.p.A.	Statutory Auditor
	CORNELIANI S.p.A.	Chair of the Board of Statutory Auditors
	OTS S.p.A.	Chair of the Board of Statutory Auditors
	Integrae Sim S.p.A.	Independent Director
Ivo Roberto CASSETTA	-	-
Mauro MICCIO	-	-

**TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

Board of Statutory Auditors									
Role	Members	Year of birth	Date of first appointment *	In office since	In office until	List **	Indep. Code	Attendance at Board of Statutory Auditors meetings ***	Number of other offices ****
Chair	Umberto LA COMMARA	1967	30/04/2021	30/04/2021	21/05/2021	m	X	2/2	N/A
Chair	Eugenio PINTO	1959	19/07/2021	19/07/2021	Approv. 2023 Financial Statements	m	X	4/4	4
Standing Auditor	Massimo CODARI	1961	30/04/2021	30/04/2021	Approv. 2023 Financial Statements	M	X	6/6	3
Standing Auditor	Roberta Eldangela BENEDETTI	1969	30/04/2021	30/04/2021	Approv. 2023 Financial Statements	M	X	6/6	12
Alternate Auditor	Marianna TOGNONI	1965	30/04/2021	30/04/2021	Approv. 2023 Financial	m	=	=	=

					Statements				
<b>Alternate Auditor</b>	Annibale PORRONE	1943	30/04/2021	30/04/2021	Approv. 2023 Financial Statements	M	=	=	=
<b>Chair</b>	Paolo PRANDI	1961	21/05/2018	21/05/2018	Approv. 2020 Financial Statements	m	X	16/16	=
<b>Standing Auditor</b>	Massimo CODARI	1961	21/05/2018	21/05/2018	Approv. 2020 Financial Statements	M	X	16/16	=
<b>Standing Auditor</b>	Giussi MAINETTI	1947	21/05/2018	21/05/2018	Approv. 2020 Financial Statements	M	X	13/16	=
<b>Alternate Auditor</b>	Emanuele VOTTA	1981	21/05/2018	21/05/2018	Approv. 2020 Financial Statements	M	=	=	=
<b>Alternate Auditor</b>	Giampaolo Davide ROSSETTI	1971	21/05/2018	21/05/2018 21/05/2018	Approv. 2020 Financial Statements	m	=	=	=
<b>Number of meetings held during the reporting year: 22</b>									
<b>Indicate the quorum required for the submission of lists by non-controlling shareholders for the election of one or more members (pursuant to art. 148, Consolidated Law on Finance): 2.5%</b>									

## NOTES

\* The date of first appointment of each statutory auditor means the date on which the statutory auditor was first appointed (ever) to the Board of Statutory Auditors of the issuer.

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

\*\*\* This column shows the attendance of statutory auditors at the meetings of the Board of Statutory Auditors (indicate the number of meetings

attended with respect to the total number of meetings that could have been attended; e.g. 6/8; 8/8 etc.).

\*\*\*\* This column shows the number of director or statutory auditor roles held by the person in question pursuant to art. 148-bis of the Consolidated Law on Finance and the relative implementing provisions set forth in the Consob Issuers' Regulation. It should be pointed out that this column does not include the positions of alternate auditor, member of the Supervisory Body, auditor or director or statutory auditor in companies or entities other than those referred to in Book V, Title V, Chapters V, VI and VII, of the Italian Civil Code.

The complete list of appointments is published by Consob on its website pursuant to art. 144-quinquiesdecies of the Consob Issuers' Regulation.