



REPORT ON
CORPORATE
GOVERNANCE
AND THE
OWNERSHIP
STRUCTURE

pursuant to Art. 123-bis of Legislative Decree no. 58 of 24 February 1998

Issuer: Piovan S.p.A.

Website: www.piovangroup.com

Financial year to which the Report refers: 2018

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GLOSSARY

In addition to the definitions contained in this Report, the following terms have the meanings provided below.

Shareholders' Meeting: the meeting of shareholders of Piovani.

Self-Governance Code/Code: the Self-Governance Code for listed companies approved in July 2018 by the Corporate Governance Committee established and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Civil Code /CC : the Italian civil code.

Board of Statutory Auditors: the Board of Statutory Auditors of Piovani.

Board/Board of Directors: The Board of Directors of Piovani.

Report Date: the approval Report Date by the Piovani Board of Directors, 14 March 2019.

Issuer: the issuer of securities to which the Report refers.

Financial year/Financial year 2018: the financial year to which the Report refers.

Piovani Group or Group: Collective term indicating the Issuer and companies directly or indirectly controlled by, it pursuant to Article 93 of the TUF.

MTA: The electronic stock market as organised and managed by Borsa Italiana.

Consob Issuers Regulation: the Regulation issued by Consob with resolution no. 11971 of 1999 (as subsequently amended) on issuers.

RPT Regulation: the Regulation issued by Consob with resolution no. 17221 of 12 March 2010 (as subsequently amended) on transactions with related parties.

Report: the report on corporate governance and ownership structure that the Company is required to prepare pursuant to Art. 123-*bis* of the TUF, and in compliance with the Self-Governance Code.

Consolidated Finance Act/TUF: Legislative Decree no. 58 of 24 February 1998, as amended.

1. ISSUER PROFILE

Piovan S.p.A. ("**Piovan**", or the "**Issuer**", or "**Company**") is a company with shares listed on the MTA organised and managed by Borsa Italiana S.p.A. as of 19 October 2018.

The Group is one of the leading global operators in the development and production of auxiliary automation systems for production processes for the storage, transport and treatment of polymers and plastic powders.

From 2015, the Group has been increasingly active in the development and production of auxiliary automation systems for production processes for the storage, transport and treatment of food powders.

The Group also provides its customers with technical assistance on a global basis, which includes the marketing of spare parts of machinery and the supply of a range of additional services, including support activities from the preliminary design phase to installation and start-up of the plant and machinery, in order to ensure optimal operation of the installed products and consolidate relationships with its customers.

Piovan is organised according to the traditional organisational and control model with the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

The Nomination and Compensation Committee ("**Nomination and Compensation Committee**") and the Control, Risk and Sustainability Committee have been set up within the Board of Directors, both having proposal and consultative functions in compliance with the recommendations of the Self-Governance Code and the Related Party Transactions Committee pursuant to and for the purposes of the OPC Regulation and the transaction procedure with related parties as used by the Company.

The legal audit of the accounts for the years ending from 31 December 2018 to 31 December 2026 is performed by the auditing company Deloitte & Touche S.p.A., a company with registered and administrative office in Milan, Via Tortona 25, registered in the Register of Statutory Auditors under Articles 6 and following of Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135 of 17 July 2016.

The Issuer qualifies as an SME pursuant to Art. 1, paragraph 1 *w-quarter.1* of the TUF with a turnover of less than € 300 million for the year ended 31 December 2018.

The value of capitalisation as at 31 December 2018 is equal to € 425,798,400 and total revenues and other income realised in 2018 amounted to € 247,842,774.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (PURSUANT TO ART. 123-BIS, PARAGRAPH 1, OF THE TUF) AS AT 31/12/2018

a. Structure of share capital (pursuant to Art. 123-bis, paragraph 1(a) of the TUF)

At 31 December 2018, the close of the 2018 financial year, the share capital amounted to € 6,000,000.00 fully subscribed and paid up, divided into 53,600,000 ordinary shares, without an indication of their nominal value.

Each ordinary share of the Issuer assigns the right to one vote at the ordinary and extraordinary Shareholders' Meetings of the Company, as well as the other administrative rights provided for by applicable provisions of law and the Articles of Association, without prejudice to that indicated in point (d) regarding the increase of the right of vote.

At the Report date, the Company holds 2,670,700 treasury shares, equal to 4.98% of the share capital.

b. Restrictions on the transfer of securities (pursuant to Art. 123-bis, paragraph 1(b), of the TUF)

There are no restrictions on the transfer of securities, limitations on ownership or approval clauses of the Issuer or other holders.

As part of the agreements signed for the purposes of listing the shares of the company, PentaFin S.p.A. (main shareholder of the Company) and the Company have made a *lock-up* commitment with the coordinators of the offer, which limits the transfer of shares of the Company for a period of 180 days from the trading start date (19 October 2018) and the adoption of capital increase resolutions for a period of 365 days from the trading start date.

Similar *lock-up* commitments were also made by the Managing Director, Filippo Zuppichin, in relation to the shares that he held for a period of 365 days from the date of the beginning of the negotiations.

c. Significant capital investments (pursuant to Art. 123-bis, paragraph 1(c), of the TUF)

According to the information received from the Company at the Report Date pursuant to Art. 120 of the TUF, the significant holdings in the capital of Piovan, direct or indirect, are shown in **Table 1** as annexed hereto.

That the Issuer qualifies as an SME pursuant to Art. 1, paragraph 1(w-*quater* 1), of the TUF as it falls within the parameters established by the aforementioned standard. Therefore, the threshold for the communication of significant equity investments pursuant to Art. 120 of the TUF is equal to 5% of the share capital with voting rights (see Art. 120, paragraph 2, last sentence, of the TUF).

d. Securities that confer special rights (pursuant to Art. 123-bis, paragraph 1(d), of the TUF)

There are no securities that grant special control rights or special powers.

Notwithstanding the principle that each ordinary share gives the right to one vote, pursuant to Art. 6 of the Articles of Association, each share belonging to the same subject for a continuous period of at least 24 months starting the date of registration in a special list (the "List") is assigned two votes, as updated on a quarterly basis and kept by the Company.

The conditions for the assignment of the increased vote are ascertained by the administrative body and the Chairman, or by specifically appointed directors, also with the help of specially appointed assistants, based on the results of the aforementioned list, to which the shareholder who intends to benefit from the increase in voting rights by attaching or also sending the certification required by Art. 83-*quinquies*, paragraph 3, of the TUF.

The Articles of Association provide detailed regulations on the methods of registration, maintenance and updating of the List, as well as the appointment of the person in charge of the management of the same and the definition of the relative retention criteria (if necessary, even only on by computerised means). According to the Articles of Association, the increase in voting rights is also calculated for the determination of the constitutive and deliberative *quorums* that refer to the rates of share capital. The increase in voting rights has no effect on rights, other than voting rights, due by virtue of the possession of certain capital rates (such as the right to call a Shareholders' Meeting).

e. Employee share ownership: mechanism for exercising voting rights (pursuant to Art. 123-bis, paragraph 1(e), of the TUF)

As of the Report Date, there are no employee shareholding systems that provide for mechanisms for which voting rights are not exercised by them.

On 15 January 2019, the Board of Directors of Piovan approved, among other things, upon proposal of the Appointments and Remuneration Committee and having heard the opinion of the Board of Statutory Auditors, (i) the regulation on a plan for the free allocation of ordinary shares of the Company, called the "*Performance Shares Plan 2019-2021*" (the "**Performance Shares Plan**"), and (ii) the regulation relating to a plan for the provision of monetary incentives called the "*Long-Term Monetary Incentive Plan 2019-2021*" (The "**Monetary Incentive Plan**"), to be submitted for approval to the Shareholders' Meeting of the Company on 17 April 2019.

The *Performance Shares Plan* is reserved for executive directors (excluding the Executive Chairman), key managers, employees or collaborators of the Company or of Subsidiaries identified for the strategic importance of the roles held by these subjects, while the *Monetary Incentive Plan* is intended for managers and employees of employees and/or collaborators (including external consultants) of

the Company and the Group, having regard to the relevance of the respective position held.

The *Performance Shares* Plan does not provide for mechanisms that exclude or limit the direct exercise by beneficiaries of the voting rights relating to the ordinary shares subscribed in exercising the options assigned to them.

The details and content of the *Performance Shares* Plan and the Monetary Incentive Plan can be found in the related information documents, available on the Company's website (www.piovangroup.com/it).

f. Restrictions on voting rights (pursuant to Art. 123-bis, paragraph 1(f), of the TUF)

There are no restrictions on voting rights.

g. Agreements between Shareholders (pursuant to Art. 123-bis, paragraph 1(g), of the TUF)

As far as the Issuer is aware, as of the date of this Report, there are no agreements between the Company's shareholders that contain content significant for the purposes of Art. 122 of the TUF.

h. Change of control clauses (pursuant to art. 123-bis, paragraph 1, letter h), TUF) and statutory provisions on OPA (pursuant to Arts. 104, paragraph 1-ter, and 104-bis, paragraph 1, of the TUF)

On 6 June 2017, the Issuer signed a medium-long term loan agreement for a total amount of € 7,500,000.00 with Banca Nazionale del Lavoro S.p.A. ("**BNL**"), subsequently amended on 18 July 2018, exclusively for the purpose of re-injecting working capital and supporting the Group's international development plan (the "**BNL Loan Agreement**").

The BNL Loan Agreement must be repaid by 6 June 2022 in 10 six-monthly instalments, paid from 6 December 2017, subject to the possibility for the Issuer to repay the amounts disbursed under the BNL Loan Agreement in advance of the agreed due dates in whole or in part and under certain conditions.

The BNL Loan Agreement provides that in the event of a change of control of the Issuer, the Issuer will be required to immediately reimburse BNL the amount not yet repaid together with accrued interest and default interest up to the day of actual repayment (in addition to anything else due pursuant to the BNL Loan Agreement).

The Issuer's Articles of Association do not derogate from the provisions of the *passivity rule* pursuant to Art. 104, paragraphs 1 and 1-bis of the TUF, and does not provide for the application of the neutralisation rules in Art. 104-bis, paragraphs 2 and 3 of the TUF.

i. Powers to increase share capital and authorisations to purchase treasury shares (pursuant to Art. 123-bis, paragraph 1(m) of the TUF)

Except as indicated below, at the Report Date, there are no proxies to the Board to increase the share capital pursuant to Art. 2443 of the Civil Code or for the issue of equity financial instruments.

The Company's Ordinary Shareholders' Meeting of 6 July 2018 resolved to authorise the purchase of treasury shares in one or more tranches for a period not exceeding eighteen months, starting from the effective date of the resolution, in compliance with legislation and current regulations, pursuant to Articles 2357 and following of the Civil Code, Art. 132 of the TUF and relative implementing regulations, also taking the market practices referred to in Art. 180, first paragraph(c) of the TUF into account, approved with Consob resolution no. 16839 of 19 March 2009.

At the Report date, the Company holds 2,670,700 treasury shares, equal to 4.98% of the share capital.

j. Management and Coordination Activities (pursuant to Art. 2497 et seq. of the CC)

At the date of this Report, Piovan is not subject to management and coordination pursuant to Art. 2497 and following of the Italian Civil Code, also in consideration of the fact that the board of directors consists of four independent directors out of a total of seven.

It is specified that:

- the information required by Art. 123-bis, first paragraph(i), of the TUF on *"the agreements between the company and directors, which provides compensation in the event of resignation or dismissal without just cause or if the work relationship ceases following a public purchase offer"* are contained in the Remuneration Report prepared and published pursuant to Art. 123-ter of the TUF;
- the information required by Article 123-bis(l) of the TUF on *"the rules applicable for the appointment and replacement of directors... and for amendments to the by-laws, if different to the legislative and regulatory provisions applicable by default"*, are provided in section 4.1 on the Board of Directors of this Report.

3. COMPLIANCE (PURSUANT TO ART. 123-BIS, PARAGRAPH 2(A) OF THE TUF)

Piovan has adopted the Self-Governance Code, conforming to the principles of corporate governance contained therein, as specified in this Report.

The Self-Governance Code is available to the public on the Borsa Italiana website, at:

<https://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2018clean.pdf> .

Piovan and its subsidiaries are not subject to non-Italian legal provisions that influence the corporate governance structure of the Company.

4. BOARD OF DIRECTORS

4.1 Appointment and replacement (pursuant to Art. 123-bis, Paragraph 1(L), of the TUF)

As regards the admission of shares of the Company for listing on the MTA, the Company has updated its Articles of Association and corporate governance system to the relevant provisions of the TUF and the Code. The current Articles of Association came into force on the trading start date (19 October 2018) and provide for the list voting mechanism for the appointment of members of the Board of Directors (and of the Board of Statutory Auditors), with provisions aimed at allowing the appointment of minority representatives in corporate bodies. It should be noted that the current Board of Directors was appointed prior to the introduction of the list voting mechanism and will remain in office until the Shareholders' Meeting to be called to approve the Company's financial statements for the year ended 31 December 2020. Therefore, only from the next renewal of the Board of Directors will the provisions on list voting contained in the Articles of Association be applied, which allow the minority list that obtains the highest number of votes to appoint a director in accordance with the provisions of Art. 147-ter, paragraph 3, of the TUF.

Standards that require the allocation of seats for the Board of Directors to be elected based on a criterion that ensures the balance between genders have been incorporated into the Articles of Association of the Company, pursuant to the provisions of Art. 147-ter, paragraph 1-ter, of the TUF.

Art. 147, paragraph 1-ter of the TUF and Law 120/2011, as also clarified by Consob Communication DIE no. 0061499 of 18 July 2011, provide for the provisions on gender balance to apply from the first renewal of the Board of Directors following the listing, providing that, for this first renewal, the less represented gender obtains at least one fifth of the elected members upon the first renewal of the Board of Directors and at least one third of the members elected on the occasion of the next two consecutive mandates (rounded upwards).

Therefore, even if these provisions are applied only at the next renewal of the Board of Directors, the composition of the Board of Directors is already compliant with the provisions of Art. 147-ter, paragraph 1-ter, of the TUF. Since this adjustment was made on a voluntary basis, it will not be taken into account for the purpose of calculating the three consecutive mandates provided for as the period of application of the discipline on gender balance.

Pursuant to Art. 14 of the Articles of Association, the Company is managed by a Board of Directors composed of up to 7 members. Before proceeding to their appointment, the meeting determines the number of members of the Board of Directors within the aforementioned limits.

The methods for appointing the Board of Directors are governed by Art. 147-ter of the TUF, by Art. 144-*quater* of the Consob Issuer Regulation and by Art. 14.3 of the Articles of Association, pursuant to which the directors are appointed for a period of three years or less, not exceeding three financial years, established at the time of appointment, and may be re-elected.

Directors are appointed by the Shareholders' Meeting on the basis of lists presented by the Shareholders, in compliance with laws and regulations in force, also with regard to rules on gender balance, in which the candidates, in a number not exceeding at seven, and in possession of the requisites provided for by the laws and regulations in force, they must be listed by assigning a progressive number.

The lists are filed at the registered office in the manner prescribed by the regulations in force, at least 25 days before the date established for the Shareholders' Meeting called to deliberate on the appointment of directors. The lists must be made available to the public by the Company at least 21 days prior to the date set for the aforementioned Shareholders' Meeting according to the methods laid down by the current regulations.

Each list must indicate which candidates meet the independence requirements established by the laws and regulations in force. Lists with a number of candidates equal to or greater than three must be made up of candidates belonging to both genders, so that at least one fifth of the less represented gender belong to the less represented gender (at the first renewal of the Board of Directors following admission to listing of the Company's ordinary shares on the MTA organised and managed by Borsa Italiana S.p.A.), and one third (rounded up) of the candidates.

Each shareholder can present or contribute to the presentation of only one list, and each candidate may appear on only one list, under penalty of ineligibility.

Only those shareholders who, alone or together with other shareholders, hold shares representing at least 2.5% of the capital or the different measure established by the law and regulatory provisions in force are entitled to present lists.

Together with each list, the declarations with which the individual candidates accept their candidacy and attest, under their own responsibility, to the non-existence of causes of ineligibility and incompatibility as well as the existence of the requisites prescribed by the current regulations for the respective offices must be filed within the time limits established by the laws and regulations in force. With the declarations, a *curriculum vitae* will be filed for each candidate regarding the personal and professional characteristics, potentially with an indication of their suitability to qualify as independent, pursuant to laws and regulations in force, as well as the codes of conduct for corporate governance that may be adopted by the Company. Lists for which the above provisions are not observed are not taken into consideration.

Appointed directors must communicate to the Board of Directors without delay as regards the loss of independence requirements, as well as the occurrence of causes of ineligibility or incompatibility.

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

At the end of voting, the candidates of the two lists that obtained the highest number of votes will be elected according to the following criteria:

- (i) a number of Directors equal to the total number of the members to be elected will be taken from the list that obtains the majority of the votes cast, with the total number of members to be elected, except 1 (one);
- (ii) the remaining director will be taken from the second list that obtained the highest number of votes in the Shareholders' Meeting ("minority list"), which is not connected in any way, even indirectly, with those who presented or voted for the list that came first by number of votes.

In the event of a tie in list votes, a new vote will be held by the entire Shareholders' Meeting, and the candidates who obtain a simple majority of votes will be elected.

If, at the end of the vote, the directors with the independence requisites provided for by the applicable legal and regulatory provisions are not elected in sufficient number, the candidate who is not in possession of these requisites elected as the last in progressive order of the list that has obtained the higher number of votes and will be replaced by the next candidate having the requisites of independence drawn from the same list as the excluded candidate. If necessary, this procedure will be repeated until the number of independent directors to be elected is completed. If the composition of the Board of Directors is not ensured with the candidates elected using the aforementioned methods, in accordance with the laws and regulations in force on gender balance, the candidate of the most represented gender elected as per the progressive order in the list that has received the highest number of votes will be replaced by the first candidate of the less-represented unelected gender on the same list in progressive order. This substitution procedure will take place until the composition of the Board of Directors in accordance with the *pro tempore* regulation on gender balance is ensured. If this procedure does not ensure the result indicated above, the replacement will take place with a resolution passed by the Shareholders' Meeting with a relative majority, subject to the presentation of candidates from subjects of the less represented gender.

If only one list is presented, the directors will be taken from such list, provided that they have obtained the approval of the simple majority of the votes and if the directors thus elected are not in a number corresponding to that of the members of the Board determined by the Shareholders' Meeting, or if no list is presented, or if the list presented does not allow the appointment of independent directors in compliance with the laws and regulations in force, the Shareholders' Meeting will resolve with the legal majorities; all of this, subject to compliance with the *pro tempore* regulations on gender balance.

The list voting procedure applies only if the entire Board of Directors is appointed.

If one or more directors were to be absent during the year, the provisions of Art. 2386 of the Civil Code would apply. If one or more of the departing directors had been taken from a list also containing the names of unelected candidates, the replacement is carried out by appointing, according to the progressive order,

persons drawn from the list to which the failed administrator belonged and who are still eligible and willing to accept the position, or in the absence of such candidates on the list or of their unavailability, appointing another candidate indicated by the directors taken from the list to which the director who is no longer eligible is part. The replacement of outgoing directors is carried out ensuring the necessary number of directors meeting the independence requirements established by law and respecting pro-tempore regulations on gender balance. If, by resignation or other cause, the majority of directors appointed by the Shareholders' Meeting is no longer in place, the entire Board of Directors will be deemed ineligible, but termination will take effect as soon as the Board has been reconstituted following new appointments made by the Shareholders' Meeting, who must be urgently called by the remaining directors.

At the Report Date, the Company does not have a formal succession plan for its directors. Following the listing on 19 October 2018 and pursuant to the current governance structure, the Company started an analysis to evaluate the opportunity to define measures that will ensure continuity in future management, also through the evaluation of a succession plan.

4.2 Composition (pursuant to Art. 123-bis, paragraph 2(d) and (d-bis), of the TUF)

The appointment of the current Board of Directors took place in two progressive phases:

- (i) on 29 June 2018, the Company's Ordinary Shareholders' Meeting appointed a Board of Directors composed of four members (Nicola Piovan, Filippo Zuppichin, Marco Milani and Lucia Giancaspro);
- (ii) on 14 September 2018, the Company's Ordinary Shareholders' Meeting appointed Marco Maria Fumagalli, Marco Stevanato and Chiara Mio as new members of the Board of Directors, effective on the negotiation start date (19 October 2018).

The new directors took office on 19 October 2018 and will remain until the expiry of the Board of Directors scheduled with the approval of the financial statements for the year ended 31 December 2020.

At the date of the Report, the Board of Directors is comprised of the following members:

Name and surname	Role
Nicola Piovan (***)	Executive Chairman
Filippo Zuppichin	Managing Director
Marco Stevanato	Director
Marco Maria Fumagalli (*) (**)	Independent Director
Lucia Giancaspro (*)	Independent Director
Marco Milani (*)	Independent Director
Chiara Mio (*)	Independent Director

(*) Independent director pursuant to Art. 147-ter, paragraph 4, of the TUF, and Art. 3 of the Self-Governance Code.

(**) Director appointed as Lead Independent Director pursuant to Art. 2.C.4 of the Self-Governance Code.

(***) Chairman Nicola Piovan previously held the position of Sole Director of the Company or Director of the Company from 1 January 1996.

Please refer to **Table 2** in annex for details on the composition of the Board of Directors.

Diversity policies

With regard to the corporate policies on diversity applied on the composition of current Board of Directors in relation to aspects such as age, gender composition and the training/professional skills (Art. 123-bis(D-bis), of the TUF), it is specified that:

- (i) the Board of Directors of the Company includes 2 Directors belonging to the less represented gender, in compliance with legislation on gender balance;
- (ii) the Council is characterised by the different age of its members, considering that the age of Directors is between 47 and 65;
- (iii) the training and professional status of Directors currently in office guarantees a balanced combination of profiles and experiences within the administrative body, which are suitable for ensuring the correct performance of its functions.

The Piovan Code of Ethics provides for:

- the enhancement and responsibility of human resources: the Company, in the context of internal relations and those with third parties, strongly avoids any discrimination based on age, racial and ethnic origin, nationality, political opinions, religious beliefs, gender, sexuality or health status of its interlocutors. With particular regard to the fundamental aspect inherent in the physical and moral integrity of the person and respect for human dignity, the Company considers it of primary importance; through the Code of Ethics,

it intends to fully implement regulatory provisions on racism and xenophobia;

- equal opportunities and prohibition of harassment: in order to concretely enhance opportunities for the professional growth of its resources, Piovan offers equal opportunities for professional growth, ensuring that everyone receives fair treatment based on merit, without discrimination.

The Piovan Code of Ethics can be viewed on the Company's website (piovangroup.com), to which reference is made for further details.

Maximum number of offices permitted in other companies

The list of offices held by the Directors of the Company in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies is shown in Annex 1 to this letter.

In accordance with the recommendations of Art. 1 of the Self-Governance Code, each member of the Board of Directors is required to deliberate autonomously with full knowledge of the facts, pursuing the objective of creating value for Shareholders over the medium to long term, and committing to dedicate the time necessary to the office to guarantee the diligent performance of its functions, regardless of the positions held external to the Piovan Group, with full knowledge of the responsibilities inherent to the position held.

Upon acceptance of the office in the Company and regardless of the limits established by legal limits and the regulation on the accumulation of offices, each candidate for the position of Director evaluates the ability to carry out the tasks assigned with due care and effectiveness in advance, taking the overall commitment required by positions held outside the Piovan Group into consideration.

Each member of the Board of Directors is also required to promptly communicate to the Board as to whether he/she is a director or a statutory auditor in other companies, for the purpose of allowing the fulfilment of information obligations pursuant to applicable laws and regulations.

The Board of Directors did not deem it necessary to define general criteria regarding the maximum number of administration and control offices in other companies pursuant to Application Criterion 1.C.3 of the Code, without prejudice to the duty of each Director to assess the compatibility of the positions of Director and Statutory Auditor held in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies, with diligent performance of the duties assumed as a Director of the Issuer.

Induction Programme

The first induction programme session was held at the Board of Directors meeting of 15 January 2019, in which the directors were able to participate in a presentation

of the Company and Group; they were informed about corporate strategies as well as industrial, commercial and human resources policies. Given the importance of this initiative, the Company intends to implement a specific induction programme in 2019 through a series of dedicated sessions, which in addition to a specific disclosure in relation to the items on the agenda, is aimed at providing Board members of the Board of Directors adequate knowledge of the business sector in which Piovan operates, company dynamics and their evolution, the principles of proper risk management as well as reference to regulatory and self-governance framework.

4.3 Role of the Board of Directors

During the 2018 financial year, in the period in which the Company was managed by Nicola Piovan as Sole Director, there were 3 decisions made by the Sole Director, while the Board of Directors subsequently met 7 times.

In the 2019 financial year, 2 meetings of the Board of Directors were held, including that of 14 March, at which this Report was approved; 3 more meetings are planned.

With reference to the period subsequent to the listing of the Company (after 19 October 2018), the duration of the two meetings was approximately 1.50 hours for the first and approximately 1.45 hours in the second.

The timeliness and completeness of the pre-meeting information is guaranteed by involving the competent corporate structures, which manage and coordinate the preparation of documentation as necessary for the specific items on the agenda.

The sending of documentation to Directors and Statutory Auditors is handled by the Legal Department, together with the Chief Financial Officer, who will arrange this in coordination with the Chairman well in advance of the date of the meetings, adequately taking into account any confidentiality requirements and price sensitivity as related to certain topics (such as projects of particular strategic importance for the Company's business of which the Chief Executive Officer reports directly in the board by initiating the consequent process of examination and joint assessment), as well as any urgency related to certain topics.

As a rule, the sending of documentation at least 5-7 days prior to the date of the Board meeting was deemed appropriate. This notice period has been regularly respected.

The following are present at meetings of the Board of Directors: members of the Board of Directors, Board of Statutory Auditors, Chief Financial Officer and Head of Legal Affairs.

The Piovan Board is central to the Company's corporate governance system, and plays a primary role in guiding and managing the Company.

In addition to the attributions to which it is entitled pursuant to law and the Articles of Association, the Board has the exclusive competence in relation to the most important decisions from an economic and strategic point of view and in terms of structural impact on management, as functional to the exercise of monitoring and

guidance activities for the Company and the Group, including the definition of corporate governance.

The following are reserved to the exclusive competence of the Board of Directors:

- (i) the adoption of the corporate governance rules of the Company and the definition of guidelines for the Group's corporate governance;
- (ii) the approval and monitoring of the adequacy of the organisational, administrative and general accounting structure of the Company and its subsidiaries with strategic relevance with particular reference to the internal control system and management of conflicts of interest;
- (iii) the attribution and revocation of powers to the Managing Director, defining their limits and methods of exercise;
- (iv) the definition of the frequency, which shall not exceed the quarter, with which the delegated bodies must report to the Board on activities carried out in the exercise of the powers conferred to them;
- (v) based on the proposals of the Appointments and Remuneration Committee, the definition of the Company's remuneration policy pursuant to Art. 123-ter of the TUF;
- (vi) After examining the proposals of the Nomination and Compensation Committee and having consulted the Board of Statutory Auditors, the determination of the remuneration of the Managing Director and other Directors who hold particular offices. If the Shareholders' Meeting has not already done so, it will provide for the division of total compensation due to Board members;
- (vii) the assessment of the general performance of management, taking the information received from the delegated bodies into consideration, as well as periodically comparing the results achieved with those set;
- (viii) the examination and prior approval of operations of the Company and its subsidiaries, when such operations have a significant strategic, economic, equity or financial importance for the Company, paying particular attention to situations in which one or more directors have an interest on their own behalf or third-party accounts, and transactions with related parties in compliance with the Related-Party Transaction Regulation and procedures regarding transactions with related parties adopted by the Company in accordance with the aforementioned regulation;
- (ix) the establishment and appointment of the Nomination and Compensation Committee and the Control, Risk and Sustainability Committee, as well as any other internal committees with advisory and propositional functions;
- (x) the appointment and revocation of the manager in charge of preparing the corporate accounting documents in compliance with Art. 20.4 of the Articles of Association;
- (xi) the approval of the internal organizational procedures and safeguards provided for by the applicable laws and regulations and recommended by the Self-Governance Code (such as the procedure for transactions with

related parties, the internal management procedure and the keeping the insider register and handling confidential information, the *internal dealing procedure*);

- (xii) the approval of transactions with related parties to which the Company and/or Group companies are a party, pursuant to the laws and regulations in force, as well as the procedures regarding transactions with related parties adopted by the Company in accordance with the aforementioned regulation;
- (xiii) the assumption, modification and termination of contractual relationships with managers and *key managers* who report directly to the CEO;
- (xiv) the approval of *stock option plans* and incentive plans in general, pursuant to the laws and regulations in force, and in compliance with the Remuneration Policy adopted by the Company;
- (xv) the preparation, examination and approval of budgets and strategic, industrial and financial plans of the Company and Group;

Without prejudice to the concurrent competence of the Shareholders' Meeting and in compliance with Art. 2436 of the Civil Code, pursuant to Art. 18 of the Articles of Association, the Board of Directors has the power to resolve on the following, without the power to delegate on:

- a) mergers and demergers, in the cases referred to in Articles 2505 and 2505-*bis* of the Civil Code, also referred to in Art. 2506-ter of the Civil Code;
- b) the establishment and closure of secondary offices;
- c) the indication of which directors have Company representation;
- d) any reduction in capital in the event of the withdrawal of one or more shareholders;
- e) adaptation of the Articles of Association to regulatory provisions;
- f) transfer of the registered office within the national territory;
- g) resolutions on the issue of bonds within the limits established by law.

4.4 Delegated bodies

4.4.1 Managing Directors

Pursuant to Art. 21, paragraph 1 of the Articles of Association, within the limits set by Art. 2381 of the Civil Code, the Board of Directors may delegate its powers to an Executive Committee, determining its powers and the number of members, or to one or more of its members, even with the status of Managing Directors, determining the content, limits and methods of exercise of the delegation. As part of the attributions received, the powers of the delegated bodies include delegations for single acts or categories of acts to Company employees and third parties, with the right to sub-delegate.

Filippo Zuppichin, in his capacity as Managing Director of the Company, is vested with the powers associated with the position held and the related powers of representation vis-à-vis third parties, to be exercised with sole signature, with the power to sub-delegate individual acts or categories of acts to employees of the Company or third-party holders of special power of attorney, coordinating their exercise with the powers of the Board of Directors and the Chairman.

Managing Director Filippo Zuppichin is also the Chief Executive Officer, and does not hold the position of Director in another listed issuer of which a director of the Company is the *Managing Director*.

The Executive Chairman is Nicola Piovan, to whom, as described in point 4.4.2, certain executive powers are conferred, in addition to the powers associated with the position held and the related powers of representation vis-à-vis third parties, to be exercised with sole signature, with the power to sub-delegate individual acts or categories of acts to employees of the Company or third-party holders of special power of attorney, coordinating their exercise with the powers of the Board of Directors and Managing Director.

4.4.2 Chairman of the Board of Directors

The Chairman of the Board of Directors is vested with the powers established by law and the Articles of Association with regard to the functioning of corporate bodies and legal representation of the Company towards third parties.

The Chairman of the Board of Directors is Nicola Piovan, appointed by a resolution of the Shareholders' Meeting of 29 June 2018.

Pursuant to Art. 22 of the Articles of Association, legal representation of the Company and the company signature are the duties of the Chairman and, in the event of his absence or impediment, the Managing Director.

As per paragraph "4.4.1 Managing Directors", Nicola Piovan, in his capacity as the Executive Chairman of the Company, has the powers inherent to the position held as well as those of representation towards third parties.

The Company's Board of Directors has conferred Executive Chairman, Nicola Piovan, with additional managerial powers, as an entrepreneur who has determined and guided the development of the Company, contributing significantly to its affirmation as a leader in its market sectors. Over the years, Nicola Piovan has held various positions within the Company, becoming the General Manager in 1997, Managing Director in 2002 and Sole Director of the Company in 2011.

The Executive Chairman was given powers to:

Supervision and coordination:

- (i) powers to coordinate the structures of the Company and its subsidiaries;
- (ii) powers of representation of the Company in the meetings of subsidiary

companies;

- (iii) supervision of the correct functioning of corporate governance rules, to then report them to the Board of Directors;
- (iv) management and coordination of external relations activities with institutions, authorities, institutions and third parties, national and international, the press, informational bodies, trade associations; and
- (v) management and coordination of market relations, the financial community, shareholders and investors.

Strategic Management:

- (i) to propose the guidelines for drawing up strategic, industrial and financial plans to the Board of Directors, the approval of which is reserved to the Board itself;
- (ii) propose the operational plan and the annual budget, the approval of which is reserved to the Board itself;
- (iii) through periodic meetings with management, to verify that management performance is in line with the objectives set in the budget and the strategies defined in the plans;
- (iv) carry out all the operations and activities provided for in the budget approved by the Board of Directors, according to the limits and the procedures established therein;
- (v) constitute, acquire, transfer, dispose of, and acquire or constitute real rights and/or rights of enjoyment, guarantees, charges, obligations or rights of third parties of any kind (including real) on shareholdings, interests, even of control, in the company, other legal persons or other bodies, companies or company branches, to give and accept them as carry-over and collateral, to carry out transactions according to stock market uses and the market of securities in general for an amount not exceeding € 25 million (or the its equivalent in another currency) per transaction, except as provided for below as regards real estate companies.
- (vi) except where otherwise provided for, carry out all operations and activities provided for in the approved budget, according to the limits and procedures established therein;
- (vii) carry out corporate reorganisation transactions that do not have a significant impact on the group headed by the Company, as a whole;

Operations management

- (i) acquire the availability of goods and services instrumental to the management of Company and Group activities, including through the stipulation of appropriate contracts for an amount not exceeding € 25 million (or its equivalent in another currency) per individual transaction, without prejudice to the following provisions regarding real estate transactions;
- (ii) proceed with the purchase of movable assets and services necessary or

appropriate for normal management of the Company in Italy or abroad, without limits to companies controlled by the Company; in other cases, up to a maximum amount of € 3 million per transaction, including through financial leasing and assets registered in Public Registries;

- (iii) sell and export the products of the Company and Group, ensuring the proper management of trade receivables from customers, including the conclusion of framework supply agreements with an estimated turnover not exceeding € 25 million each per year (or its equivalent in another currency);
- (iv) enter into contracts and/or confidentiality agreements;
- (v) make investments and divestitures in tangible or intangible assets for an amount not exceeding € 10 million (or its equivalent in another currency) per transaction;
- (vi) stipulate, modify or terminate loans and credit with credit or other financial institutions up to a maximum amount of € 10 million, negotiating the related contractual conditions;
- (vii) stipulate, modify or terminate loans or credit from or to companies of the group headed by the Company, without limits in their amount;
- (viii) stipulate openings and closures of credit, opening and closing of current accounts, carrying out any transaction, active and passive, in Italy or abroad, in national or foreign currency, at Banks, credit institutions, or other financial institutions, Administration of the Post Office and Telegraphs within the limits of the powers granted to them, designating the persons who will operate on these accounts, granting them the necessary powers for deposit and withdrawal operations within the limits of fund availability and/or credit limits as previously agreed upon and obtained, notably withdrawing or using, checks, letters of credit, etc. at banking institutes both in Italy and abroad with the procedures that may be prescribed, with the right to issue a full and final receipt for all the sums pertaining to the Company that are paid or credited;
- (ix) acquisition of ownership or usage rights of trademarks, patents, designs, domain names or other intellectual property rights of any kind, or any act of disposal of trademarks, patents, designs, domain names or other intellectual property rights, acquisition or establishment of real rights (including real rights) and/or enjoyment, guarantees, charges, obligations or rights of third parties of any kind on the same, for an amount not exceeding € 10 million (or its equivalent other currency) per individual transaction, except as provided below;
- (x) licensing or other usage rights of trademarks, patents, designs, domain names or other intellectual property rights of any kind for an estimated amount not exceeding € 10 million (or its equivalent in another currency) each per year;
- (xi) real estate transactions of any kind, including the acquisition, sale, and/or disposal of properties, the acquisition or establishment of real rights and/or rights of enjoyment on real estate (including the stipulation of lease agreements, rent or loan for free use, even of a duration exceeding 9 years)

and/or the establishment of guarantees, charges, restrictions or third parties rights of any kind (even real) on the same, the establishment, acquisition, sale, and/or disposal deeds (for any reason and in any form), and the acquisition or incorporation of real rights and/or rights of enjoyment, guarantees, charges, obligations or third party rights of any kind (including real), holdings or interests in real estate companies, also of control, for an amount not exceeding € 10 million (or its equivalent in another currency) for each individual transaction, or for lease contracts, for an amount not exceeding at € 2 million each;

- (xii) enter into and terminate insurance contracts to cover risks of any kind, with the right to complete actions necessary for their management, renewal, modification, and liquidation of damage, collecting the relative indemnities, releasing full and final receipts and discharges;
- (xiii) the stipulation of contracts for the general distribution of the products of the Company and of the Group including, indicatively and not exhaustively, franchising contracts, agency and reporting (i) with an estimated turnover not exceeding € 15 million each per year (or its equivalent in another currency) if concluded with companies not belonging to the Group, and (ii) with an estimated turnover even higher than the aforementioned limit under (i) if concluded with companies belonging to the Group;
- (xiv) pay taxes, duties and contributions, request their reimbursement and receive it by issuing full and final receipt, making payments to public insurance and social security institutions;
- (xv) assign general consultancy assignments to third parties of an amount not exceeding € 5 million (or its equivalent in another currency) per transaction.

Representation:

- (i) to represent the Company before any judicial, administrative, fiscal, ordinary and special authority in any procedure, at any level and office, as well as before mediation bodies, with the power to sign applications, appeals, applications for membership pursuant to Legislative Decree no. 218/1997, requests for exemption and reimbursement, both verbal and written, for any purpose, filing and defending actions in civil, criminal and administrative contexts of any kind, including cognition, execution, bills of exchange, appearance as a civil party, bankruptcy procedures, composition with creditors and moratorium and extraordinary administration, by assigning the relevant formalities and issuing powers of attorney and special mandates to lawyers and attorneys for litigations, to elect domicile; appear in front of arbitrators, even amicable settlements, and any and all disputes in which the Company has an interest; propose, and validly sign both judicial and extrajudicial transactions, conciliation reports pursuant to Art. 48 of Legislative Decree n. 546/1992 within the limit of charges for the Company of € 500,000.00 (five hundred thousand) per dispute;
- (ii) to represent the Company in any and all tax litigation, with any authority and

office, including tax, census, and customs commissions and expert committees;

- (iii) to represent the Company in Italy and abroad in relations with the competent authorities, administrations and public bodies, public and private offices, banks and financial institutions and investors;
- (iv) to represent the Company in trade union and corporate organisations in general, economic associations, trade and sector consortia;
- (v) sign correspondence and any other deed or contract other than those listed in the previous points as necessary for the ordinary management of the Company, except for transactions with related parties, as identified by Consob with Regulation no. 17221 of 12 March 2010;

Human resources:

- (i) to propose general policies relating to the organisation and management of human resources to the Board of Directors;
- (ii) establish, modify and terminate employment relationships concerning managers, middle managers, and workers, carrying out all of the deeds relating to management in terms of recruitment, promotion, dismissal, disciplinary measures, determination of powers and salary, transfers and secondments to other group companies;
- (iii) in implementation of the remuneration policy approved by the Board of Directors, entering into, modifying and terminating individual work contracts regarding key managers and executives, carrying out all deeds relating to personnel management, without prejudice to the nominative and consultative tasks of the Appointments and Remuneration Committee;
- (iv) stipulate, modify and terminate company agreements with trade union representatives and workers' associations;
- (v) in implementation of the remuneration policy approved by the Board of Directors, to manage the company's human resources policy, for which to provide the guidelines and ensure their motivation, training, remuneration and development;
- (vi) to provide information to the Appointments and Remuneration Committee on the remuneration of key managers; and
- (vii) to appoint and dismiss the manager in charge of maintaining and coordinating relations with shareholders (*Investor Relations*).

The Chairman of the Board of Directors is the controlling shareholder of the Company.

Pursuant to Art. 2359, paragraph 1, of the Civil Code and Art. 93 of the TUF, the Company is legally controlled indirectly by the Chairman of the Board of Directors, Nicola Piovan, who through the company PentaFin S.p.A., holds 55.725% of the Issuer's share capital. The share capital of PentaFin S.p.A. is held in the amount of 85% by Nicola Piovan.

4.4.3 Executive committee

As of the Report Date, an Executive Committee has not been established.

4.4.4 Information to the Board

Pursuant to art. 20 paragraph 3 of the Articles of Association, Art. 150 of the TUF, and in compliance with best practices, the delegated bodies report to the Board of Directors and the Board of Statutory Auditors - or, in the absence of the delegated bodies, the directors report to the Board of Statutory Auditors, on at least a quarterly basis as regards the activity carried out, on the general performance of the management and on its foreseeable evolution as well as on the most significant economic, financial and equity transactions, or in any case of greater importance due to their size or characteristics, carried out by the Company and its subsidiaries; they also report on transactions in which they have an interest, on their own behalf or on behalf of third parties, or which are influenced by the person who exercises the activity of management and coordination, if applicable.

4.5 Other Executive Members

At the Report Date, there are no other executive members in the Issuer.

4.6 Independent Directors

In compliance with the recommendations contained in Art. 3 of the Self-Governance Code and in compliance with the provisions contained in Art. 14.3 of the Articles of Association as described in paragraph 4.1 above, at the Report Date, the members of the Board of Directors in office total 4 Independent Directors, in the persons of Marco Maria Fumagalli, Lucia Giancaspro, Marco Milani and Chiara Mio, who meet the independence requirements prescribed by the combined provisions of Articles 147-ter, paragraph 4, and 148, paragraph 3, of the TUF. The Company believes that an adequate number of Independent Directors has been identified, also for the purposes of the composition of the Committees described in the following paragraphs. Directors Marco Maria Fumagalli, Lucia Giancaspro, Marco Milani and Chiara Mio, in the declaration of acceptance of the office of Directors of the Company and declaration of the requisites for holding the office, indicated the suitability to qualify as such, and are simultaneously committed to promptly notify the Board of Directors and Board of Statutory Auditors of any changes regarding the requirements, including independence requirements, and any causes of forfeiture.

On 29 June 2018 and 14 September 2018, the Issuer's Board of Directors carried out its assessment based on the *curricula vitae* and the declarations of the candidates regarding the existence of the independence requisites provided for by

the combined provisions of Articles 147-ter, paragraph 4, and 148, paragraph 3, of the TUF and the Self-Governance Code for directors who have qualified as such.

4.7 Lead Independent Director

By a resolution of the Board of Directors on 14 September 2018, in compliance with the recommendations set out in Articles 2.C.4. and 2.C.5 of the Self-Governance Code, the Company appointed independent director Marco Maria Fumagalli as *lead independent director*.

5. MANAGEMENT OF COMPANY INFORMATION

The Company has adopted:

- (i) an internal procedure for the management of privileged information in accordance with applicable EU and national legislation on the prevention and suppression of market abuse and communications to the public, as well as adherence to the recommendations referred to in Art. 1.C.1 (j) of the *Self-Governance Code* prepared by the Committee for the *Corporate Governance* of Listed Companies established at Borsa Italiana S.p.A. in order to regulate the management and treatment of corporate information and the procedures to be observed for the communication external to the Company of documents and information regarding the Company, with particular reference to privileged information;
- (ii) an *internal dealing procedure* adopted pursuant to and in compliance with EU and national regulations, on transactions carried out by persons exercising administrative, supervisory or management functions (*internal dealing*) and market abuse. The procedure is aimed at regulating the disclosure obligations and conduct that must be observed by the relevant subjects, shareholders, closely associated persons and the Company in order to ensure specific, timely and correct transparency of information regarding transactions with the public and competent authorities.

6. COMMITTEES WITHIN THE BOARD (PURSUANT TO ART. 123-BIS, PARAGRAPH 2(D), OF THE TUF)

The Nomination and Compensation Committee, the Control, Risk and Sustainability Committee and the Related Parties Committee have been established within the Board.

In compliance with the recommendations of the Self-Governance Code, the Board of Directors of the Company, which met on 6 July 2018, resolved:

- (i) on the institution, in accordance with Articles 4, 5 and 6 of the Self-Governance Code, of the Nomination and Compensation Committee and the approval of the regulation for internal operations;

- (ii) on the institution, in accordance with Articles 4, 5 and 7 of the Self-Governance Code, of the Control, Risks and Sustainability Committee and the approval of the regulation for internal operations;

and

- (iii) the institution of the Related Parties Committee in accordance with Consob Regulation no. 17221 of 12 March 2010, as well as pursuant to Art. 2391-bis of the Civil Code,

conditioning the effectiveness of the institution of the same to the admission of the Company's shares to trading on the STAR market managed by Borsa Italiana (admission on 19 October 2018).

As of the Report Date, no additional committees have been established other than those recommended by the Self-Governance Code or required by the OPC Regulation.

7. NOMINATION AND COMPENSATION COMMITTEE

7.1 Composition and function of the Nomination and Compensation Committee

In consideration of the organizational needs of the Company, operating methods and the size of its Board of Directors, the Company has established a single committee for appointments and remuneration, in compliance with the recommendations of Articles 4, 5 and 6 of the Self-Governance Code.

The Appointments and Remuneration Committee is composed of at least three non-executive directors who have the necessary preparation and professional experience to perform the tasks of the Appointments and Remuneration Committee, of which at least two members are chosen from among the directors possessing the independence requirements set by the Self-Governance Code. At least one member of the Nomination and Compensation Committee has adequate knowledge and experience in financial matters or remuneration policies.

With a resolution dated 14 September 2018, the Board of Directors appointed the following as members of the Nomination and Compensation Committee: independent director Lucia Giancaspro (as chairwoman of the Appointments and Remuneration Committee), independent director Marco Maria Fumagalli and independent director Chiara Mio. Upon appointment, the Board of Directors also verified that members of the Appointments and Remuneration Committee Marco Maria Fumagalli and Chiara Mio have knowledge and experience in financial matters and remuneration policies.

The work of the Nomination and Compensation Committee is coordinated by Chairwoman Lucia Giancaspro.

During 2019, the Nomination and Compensation Committee examined the plan for the free allocation of ordinary shares of the Company called the "*Performance Shares Plan 2019-2021*" (the "**Performance Shares Plan**"), and the plan for the provision of monetary incentives called the "Long-Term Monetary Incentive Plan 2019-2021" (the "**Monetary Incentive Plan**", collectively the "**Plans**") resolving to submit both plans to the examination of the Board of Directors. The Board of Directors, having heard the opinion of the Board of Statutory Auditors, approved on 15 January 2019 the regulations of both Plans, to be submitted for approval to the Shareholders' Meeting of the Company on 17 April 2019.

7.2 Committee functions

In accordance with the recommendations contained in Art. 6 of the Self-Governance Code, the Appointments and Remuneration Committee has the task of assisting the Board of Directors with preliminary, propositional and consultative functions, in assessments and decisions relating to the composition of the Board of Directors and the remuneration of directors and key managers.

The following tasks are assigned to the Appointments and Remuneration Committee:

- (i) formulating opinions to the Board of Directors regarding the size and composition of the same and expressing recommendations regarding the professional figures whose presence on the Board is deemed appropriate, as well as on matters relating to the maximum number of director or auditor positions in listed companies in Italian or foreign regulated markets, financial, banking, insurance or large companies that can be considered compatible with an effective performance of the director of the listed issuer, and with the authorisations granted to directors to operate in derogation from the general prohibition of competition pursuant to Art. 2390 of the CC;
- (ii) the task of proposing new candidates for the position of director to the Board of Directors, in the event of co-optation to replace an independent director;
- (iii) to formulate proposals to the Board of Directors for the definition of the remuneration policy for directors and key managers;
- (iv) periodically assessing the adequacy, overall consistency and concrete application of the remuneration policy for directors and key managers, using the information provided by managing directors; formulate relative proposals to the Board of Directors;
- (v) present proposals or express opinions to the Board of Directors on the remuneration of executive directors and other directors who hold special offices, as well as setting *performance* objectives related to the variable component of this remuneration, monitoring the application of decisions adopted by the Board itself and the actual achievement of performance objectives;

- (vi) to express an opinion on particular and specific questions regarding the economic treatment for which the Board of Directors has requested its examination.

In accordance with the provisions of the Self-Governance Code, in the performance of its functions, the Appointments and Remuneration Committee has the right to access the information and company functions necessary for the performance of its duties, as well as avail itself of external consultants.

Within the terms established by the Board of Directors, is also required to make available to the Appointments and Remuneration Committee adequate financial resources to fulfil its duties, within the limits of the budget approved by the Board of Directors.

Directors do not take part in meetings of the Nomination and Compensation Committee in which the proposals to the Board of Directors regarding their own remuneration are made.

Minutes are taken for the meetings of the Nomination and Compensation Committee. The President and the secretary sign the minutes of the meetings, which are kept by the secretary in chronological order.

The Chairman of the Nomination and Compensation Committee reports (i) to the Board of Directors, at least every six months, on the activity performed, and (ii) to the Shareholders' Meeting, on an annual basis, at approval of the financial statements for the methods of exercising their functions.

8. REMUNERATION OF DIRECTORS

For all information regarding the remuneration of the directors, please refer to the Remuneration Report prepared pursuant to Art. 123-ter of the TUF, available at the registered office and on the Company's website (piovanguard.com), in the section <https://cg.piovangroup.com/it>.

At the Report Date, no agreements were entered into between the Company and the members of the Board of Directors which provide for compensation in the event of resignation or revocation without just cause or termination of the employment relationship following a takeover bid or change of control.

9. CONTROL, RISK AND SUSTAINABILITY COMMITTEE

9.1 Composition and function of the control, risk and sustainability committee

As indicated in paragraph 6, in accordance with the recommendations set forth in Art. 7 of the Self-Governance Code, the Company's Board of Directors has established the Control, Risks and Sustainability Committee, approving its operational regulation.

With a resolution dated 14 September 2018, the Board of Directors appointed the following as members of the Control, Risk and Sustainability Committee: independent director Chiara Mio (as chairwoman of the Control, Risk and Sustainability Committee), independent director Marco Maria Fumagalli and independent director Marco Milani. At the time of appointment, the Board of Directors also verified that all of the members of the Control, Risk and Sustainability Committee have knowledge and experience in accounting and finance or risk management.

During the 2018 financial year, the Control, Risk and Sustainability Committee met one time.

9.2 Functions attributed to the Control, Risk and Sustainability Committee

In compliance with the recommendations contained in Art. 7 of the Self-Governance Code, the Control, Risk and Sustainability Committee carries out preliminary, advisory and proposal-making functions, supporting the assessments and decisions of the Board of Directors with adequate preliminary work as relates to the internal control and risk management system, as well as those relating to the approval of periodic financial reports.

The Control, Risk and Sustainability Committee, in assisting the Board of Directors:

- (i) together with the manager in charge of preparing the corporate accounting documents, after hearing the legal auditor and the Board of Statutory Auditors, evaluates the correct use of the accounting principles adopted and their homogeneity for the purposes of preparing the consolidated financial statements;
- (ii) expresses opinions on specific aspects concerning the identification of the main business risks;
- (iii) examines periodic reports on the assessment of the system of internal control and risk management, as well as any other reports of particular relevance that are prepared by the Internal Audit function;

- (iv) monitors the degree of compliance of the Company to the regulatory provisions adopted by it and its subsidiaries, formulating proposals and suggestions to the Board of Directors;
- (v) monitors the independence, adequacy, effectiveness and efficiency of the Internal Audit function;
- (vi) requests the Internal Audit function to carry out checks on specific operational areas where deemed necessary or opportune, informing the Chairman of the Board of Statutory Auditors;
- (vii) reports to the Board of Directors on the adequacy of the system of internal control and risk management, to be done at least every six months in conjunction with the Annual Financial Report and the Half-Year Financial Report;
- (viii) with adequate preliminary work, supports the assessments and decisions of the Board of Directors relating to the management of risks deriving from prejudicial facts of which the Board of Directors has become aware and performs the additional tasks assigned by it.

The Control, Risk and Sustainability Committee expresses its opinion to the Board of Directors with respect to:

- a) the definition of the guidelines of the internal control and risk management system, so that the main risks relating to the Company and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining the degree of compatibility of these risks with company management consistent with the strategic objectives identified;
- b) periodic assessment, at least annually, of the adequacy of the internal control and risk management system with respect to the characteristics of the company and the risk profile assumed, as well as its effectiveness;
- c) approval of the work plan prepared by the head of the internal audit function on at least an annual basis;
- d) as regards the corporate governance report, a description of the main features of the internal control and risk management system, and expression of the assessment of its adequacy;
- e) assessment of the Statutory Auditor's findings in any letter of suggestions and in the report on key issues raised during the Statutory Audit;
- f) appointment and removal of the head of the internal audit function, its provision of adequate resources and the definition of his/her remuneration in line with company policies.

The Control, Risk and Sustainability Committee is also the body responsible for sustainability matters to assess the adequacy of the declaration containing non-financial information pursuant to European Directive 2014/95/EU.

In carrying out its functions, the Control, Risk and Sustainability Committee has the right to access the information and company functions necessary for the performance of its duties, as well as avail itself of external consultants.

The Chairman of the Board of Statutory Auditors (or another statutory auditor designated by him/her) takes part in the meetings of the Control, Risk and Sustainability Committee, and the other auditors may also participate. The Chairman may invite other members of the Board of Directors and of the Board of Statutory Auditors to the meetings of the Control and Risk and Sustainability Committee, as well as the auditors, the heads of the corporate functions of the Company and of the subsidiaries, or other subjects whose presence may be of assistance for improved performance of the functions of the Control, Risk and Sustainability Committee itself.

Minutes are taken for the meetings of the Control, Risk and Sustainability Committee. The President and the secretary sign the minutes of the meetings, which are kept by the secretary in chronological order.

The Control, Risk and Sustainability Committee reports to the Board of Directors on the adequacy of the system of internal control and risk management, to be done at least every six months in conjunction with the Annual Financial Report and the Half-Year Financial Report;

Considering that the completion of the listing of the Company took place in October 2018 and given the recent establishment of the Committee, the Committee started its activities at the end of 2018, with the aim of fully performing the functions attributed to it during the year.

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

According to the Self-Governance Code, the internal control system is the set of rules, procedures and organisational structures aimed at allowing proper company management that is correct and consistent with the objectives established, through an adequate process of identification, measurement, management and monitoring of the main risks.

The approval and monitoring of the adequacy of the organisational, administrative and general accounting structure of the Company and its subsidiaries with strategic relevance with particular reference to the internal control system and management of conflicts of interest is reserved to the exclusive competence of the Board of Directors.

In compliance with the recommendations contained in Art. 7 of the Self-Governance Code, the Control, Risk and Sustainability Committee carries out preliminary, advisory and proposal-making functions, supporting the assessments and decisions of the Board of Directors with adequate preliminary work as relates to the internal control and risk management system.

The Control, Risks and Sustainability Committee provides for the following in assisting the Board of Directors:

- (i) examines periodic reports on the assessment of the system of internal control and risk management, as well as any other reports of particular relevance that are prepared by the Internal Audit function;
- (ii) reports to the Board of Directors on the adequacy of the system of internal control and risk management, to be done at least every six months in conjunction with the Annual Financial Report and the Half-Year Financial Report;

The Control, Risk and Sustainability Committee expresses its opinion to the Board of Directors with respect to:

- a) the definition of the guidelines of the internal control and risk management system, so that the main risks relating to the Company and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining the degree of compatibility of these risks with company management consistent with the strategic objectives identified;
- b) periodic assessment, at least annually, of the adequacy of the internal control and risk management system with respect to the characteristics of the company and the risk profile assumed, as well as its effectiveness;
- c) approval of the work plan prepared by the head of the internal audit function on at least an annual basis;
- d) as regards the corporate governance report, a description of the main features of the internal control and risk management system, and expression of the assessment of its adequacy;
- e) assessment of the Statutory Auditor's findings in any letter of suggestions and in the report on key issues raised during the Statutory Audit;
- f) appointment and removal of the head of the internal audit function, its provision of adequate resources and the definition of his/her remuneration in line with company policies.

10.1 Director in charge of the internal control and risk management system

By resolution of the Board of Directors on 14 September 2018, in compliance with the recommendations set forth in Art. 7. P.3. (a)(i) of the Self-Governance Code, the Company has appointed director Marco Stevanato as the director in charge of the internal control and risk management system ("**Appointed Director**"). Following the listing of the Company on 19 October 2018, the Appointed Director, who took office on the same date, started his activities in fully exercising the functions assigned to him from this year.

10.2 Head of the Internal Audit function

By resolution of the Board of Directors on 6 July 2018, in compliance with the recommendations set forth in Art. 7. P.3. (b) of the Self-Governance Code, the Company appointed Dr. Stefania Tessarollo as head of the internal audit function.

10.3 Organisational model pursuant to Legislative Decree 231/2001

The Group has adopted an organisation, management and control model pursuant to Legislative Decree no. 231 of 8 June 2001 ("**Leg. Decree 231/2001**") containing the regulation of the administrative liability of legal persons, companies and associations, even without legal status ("**Model 231**").

Model 231 was adopted by a resolution of the Board of Directors on 2 August 2018.

Model 231 consists of:

- (i) a general part on issues concerning the validity and application of Legislative Decree 231/2001, the composition and functioning of the supervisory body provided for by Art. 6 of Legislative Decree 231/2001 and chapter 2 of the Model 231, and sanctions applicable in the event of violations of the Model 231 rules of conduct; and
- (ii) a special part, referring to the various categories of crimes provided for by Legislative Decree 231/2001 as a prerequisite for administrative responsibility of the Company and the related rules of conduct.

With a resolution dated 2 August 2018, the Board of Directors established the supervisory body pursuant to Art. 6 of Legislative Decree 231/2001 and Chapter 2 of Model 231, with the task of monitoring compliance with Model 231 and ensuring that it is updated.

The Supervisory Body is composed of Lucia Giancaspro, independent director of the Issuer (as chairwoman), Giovanni Boldrin, chartered accountant, and Carlo Sedona, head of the legal department of the Issuer.

The Model 231 adopted by the Company is completed by the Code of Ethics, which summarises the fundamental ethical values from which the Group takes inspiration, and to which all employees and external collaborators must abide in the performance of the tasks entrusted to them.

At the moment, the Company has not extended the adoption of the Model 231 to its Italian and foreign subsidiaries: therefore, although the Group is evaluating the adoption of risk analysis procedures relating to foreign subsidiaries and taking the local regulations applicable to them into account, and Group companies have adhered to the Code of Ethics adopted by the Issuer, the Group does not yet have detailed controls and procedures in place as applicable to its foreign subsidiaries in terms of export controls and sanctioning regimes, anti-corruption legislation and

anti-money laundering. There is an articulated control system that exists prior to the adoption of Model 231.

In light of the above, on 14 September 2018 the Board of Directors of the Company resolved to start a process as follows, to be concluded by the approval of the interim financial report at 30 June 2019:

- (i) of assessment of the extension of the organisation, management and control model to the Italian subsidiaries, as well as for the assessment of the implementation of the Company's compliance system to the Group's foreign subsidiaries, with particular attention to money laundering and anti-corruption laws, so as to make the overall internal regulation as coherent as possible with the international structure of the Group, and
- (ii) of the adoption by all Group companies of a procedure aimed at regulating commercial relations with customers in countries subject to sanctions by the United States.

10.4 Independent Auditor

The company appointed for the statutory audit of the Issuer's accounts is Deloitte & Touche S.p.A., a company with registered and administrative office in Milan, Via Tortona 25, registered in the Register of Statutory Auditors under Articles 6 and following of Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135 of 17 July 2016 (the "**Auditing Company**").

The Ordinary Shareholders' Meeting of the Issuer of 1 July 2016 gave the Independent Auditors the task of legally auditing the accounts of the its financial statements and verification of the regular keeping of corporate and accounting records and the correct recording of management events in the accounting records for the years 2016-2018, pursuant to Legislative Decree no. 39 of 27 January 2010.

On 14 September 2018, in view of the listing and the consequent assumption of the status of an entity of public interest pursuant to Art. 16 of Legislative Decree no. 39 of 27 January 2010 and subsequent amendments, the Shareholders' Meeting resolved to confer the following to the Independent Auditors, as per Art. 17 of Legislative Decree 39/2010 and Art. 16 of Regulation (EU) No. 537/2014:

- (i) a statutory audit assignment for the financial years 2018-2026, up to the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2026, in relation to the statutory financial statements of the Company and consolidated financial statements of the Piovan Group; and
- (ii) an assignment for the limited review of the condensed interim consolidated financial statements for the quarters that will close on June 30 for the financial years 2019-2026.

10.5 Manager in charge of preparing corporate accounting documents and other corporate roles and functions

Pursuant to Art. 21, paragraph 4 of the Articles of Association, the Board of Directors:

- (i) appoints and dismisses a manager in charge of preparing corporate accounting documents ("**Executive Officer for Financial Reporting**"), subject to the mandatory but non-binding opinion of the Board of Statutory Auditors;
- (ii) determines the duration and
- (iii) gives him/her adequate powers and means to perform his/her duties.

The Executive Officer for Financial Reporting is appointed from amongst persons possessing significant professional experience in the accounting, economic and financial sector for at least 5 years, and any additional requirements established by the Board of Directors and/or applicable legal and regulatory provisions.

The Board of Directors, with a resolution of 6 July 2018, having heard the opinion of the Board of Statutory Auditors, appointed Luca Sabadin as the Executive Officer for Financial Reporting.

The Executive Officer for Financial Reporting has the following powers:

1. to prepare appropriate administrative and accounting procedures for the preparation of the financial statements and consolidated financial statements, as well as any other communication of a financial nature;
2. to issue written statements attesting to the correspondence of the Company's documents and communications disseminated to the market as relating to accounting information, including interim reports, of the Company, to documentary results, books and accounting records;
3. to certify the condensed interim financial statements and consolidated financial statements together with the Managing Director, with a specific report provided in accordance with the model established by the CONSOB regulation annexed to the financial statements for the year:
 - a) the adequacy and effective application of the procedures referred to in point 1 above during the period to which the documents refer;
 - b) that the documents are drafted in compliance with applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - c) the correspondence of documents to the results of the accounting books and records;
 - d) the suitability of the documents to provide a true and fair representation of the equity, economic and financial situation of the Company and the group of companies included in the consolidation;

- e) for the financial statements and the consolidated financial statements, the management report includes a reliable analysis of the performance and results of operations, as well as the situation of the Company and group of companies included in the consolidation, together with the description of the main risks and uncertainties to which they are exposed;
- f) for the condensed interim financial statements, that the interim management report contains a reliable analysis of the information pursuant to paragraph 4 of Art. 154-ter of Legislative Decree 58/1998.

The Executive Officer for Financial Reporting is also assigned:

- a) all organisational and managerial powers necessary for the performance of the tasks assigned by current legislation, the Articles of Association and this resolution, including direct access to all functions, offices and information necessary for the production and verification of accounting, financial and economic data, without the need for authorisation;
- b) full spending autonomy for the exercise of the tasks assigned by current legislation, the Articles of Association and this resolution, within the limits of the general annual budget allocated and without prejudice to any additions and amendments deemed necessary that may be examined and approved by the Board of Directors;
- c) the obligation to:
 - 1) participate in the meetings of the Board of Directors of the Company with an examination of the Company's economic and financial data on the agenda;
 - 2) report any matters of significant importance that are deemed incorrect without delay to the Managing Director, the Board of Directors, even through the Control and Risks Committee, to be declared in the statements required by Art. 154-bis of Leg. Decree 58/1998;
 - 3) to report on the activity carried out every six months to the Board of Directors, directly or through the Control and Risk Committee, and to the Board of Statutory Auditors;
- d) all powers of representation with third parties connected to the role covered and the exercise of duties assigned by current legislation, the Articles of Association and the appointment resolution.

10.6 Coordination of the individuals involved in the Internal Control and Risk Management System

The various parties involved in the internal control and risk management system (whose functions are summarised in paragraphs 9 and 10 of this report) coordinate themselves in their own activity according to their competences. During the

discussion of the Board of Directors on projects to be launched in 2019 with the aim of further strengthening the current internal control and risk management system of the Company, it was noted that all the subjects involved in this system coordinate their own activity with the support of the Risk Control and Sustainability Committee.

11. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS

11.1. Procedure for related party transactions

Pursuant to Art. 27 of the Articles of Association, the Company approves transactions with related parties in compliance with the provisions of law and regulations in force, the provisions of the Articles of Association and the procedures adopted in this regard to ensure transparency and substantial correctness.

On 12 November 2018, the Board of Directors approved, subject to the favourable opinion of the Related Parties Committee, the procedure for transactions with related parties ("**OPC Procedure**") in implementation of Art. 2391-*bis* of the Civil Code and the OPC Regulation, also taking the indications and guidelines for the application of the OPC Regulation provided by Consob into account with communication no. DEM/10078683 of 24 September 2010, which identifies the rules governing the approval and execution of transactions with related parties entered into by the Company, directly or through subsidiaries in order to ensure transparency and substantial correctness and procedural of the operations themselves.

The OPC Procedure can be viewed on the Company's website (piovanguroup.com) in the section <https://cg.piovangroup.com/it>, to which reference is made for all details.

11.2. Related Parties Committee

With a resolution dated 6 July 2018, the Company's Board of Directors established the Related Parties Committee pursuant to the RPT Regulation and OPC Procedure (the "**Related Parties Committee**"), approving the relative operating regulation. The Related Parties Committee performs the functions and duties provided for by the OPC Procedure, the OPC Regulation and current legislation, namely:

- (i) expresses its prior favourable opinion on the approval and amendments to the OPC Procedure;
- (ii) expresses its non-binding motivated opinion on transactions of lesser importance, and a favourable reasoned binding opinion on transactions of greater importance;

- (iii) takes part in the negotiation phase and preliminary phase of the most significant transactions;
- (iv) resolves cases in which the identification of a related party is controversial based on the relative definition contained in the OPC Procedure; and
- (v) supports the competent corporate functions in the preliminary verifications relating to the identification of related parties and transactions with related parties pursuant to the OPC Procedure and current legislation.

In the meeting of 14 September 2018, the Board of Directors appointed the members of the Related Parties Committee, in the persons of independent director Marco Maria Fumagalli (acting as chairman), independent director Lucia Giancaspro and independent director Marco Milani.

11.3. Director interests

As of the Report Date, the Board of Directors has not deemed it necessary to adopt a specific procedure for identifying and managing situations in which a director has an interest on his own behalf or on behalf of third parties, in addition to the OPC Procedure and the disclosure obligations provided for by Art. 2391 CC.

12. APPOINTMENT OF STATUTORY AUDITORS

Pursuant to Art. 25, paragraph 2, of the Articles of Association, the Statutory Auditors and Alternate Auditors are appointed by the Meeting in accordance with pro-tempore legislation on gender balance, on the basis of lists submitted by shareholders in compliance with legal regulations and regulation in force, in which candidates must be listed by a progressive number and must not exceed the number of members of the body to be elected.

The provisions on list voting contained in the Articles of Association, as previously illustrated for the Board of Directors, will be applied starting from the first renewal of the Board of Statutory Auditors following the listing.

Each list must consist of two sections: one for the appointment of Statutory Auditors and one for the appointment of alternate auditors. The first of the candidates in each section must be identified among the statutory auditors registered in the specific register pursuant to Art. 2397 of the civil code.

The lists that present a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that they belong to the least represented gender in the list itself at least one fifth (on the first renewal of the next Board of Directors to the admission to listing of the Company's shares on the MTA organised and managed by Borsa Italiana S.p.A.) and one third (rounded upwards) of candidates for the office of Statutory Auditor, as well as at

least one fifth (on the first renewal of the Board of Directors following the admission to listing of the Company's shares on the MTA organised and managed by Borsa Italiana S.p.A.) and one third (rounded upwards) of candidates for the office of Alternate Auditor.

Only those shareholders who, alone or together with other shareholders, hold shares representing at least 2.5% of the capital or the different measure established by the law and regulatory provisions in force are entitled to present lists. Each shareholder has the right to present or contribute to the presentation of only one list, and each candidate may appear on only one list, under penalty of ineligibility.

The declarations with which the individual candidates accept the candidacy and attest, under their own responsibility, the non-existence of causes for ineligibility and incompatibility, as well as the existence of the legal and statutory requirements prescribed for the office. Lists for which the above provisions are not observed are not taken into consideration. With the declarations, a *curriculum vitae* will be deposited for each candidate on their personal and professional characteristics, which includes the list of the administration and control positions held by each candidate in other companies.

The provisions of law and regulations in force apply for the presentation, filing and publication of lists. The lists are divided into two sections: one for candidates for the office of Statutory Auditor and the other for candidates for the office of Alternate Auditor. Each person entitled to vote has the right to vote for only one list. The statutory auditors are appointed as follows:

- a) two Standing Statutory Auditors and one Substitute Statutory Auditor are drawn from the list obtaining the highest number of votes, in the order in which they are named on the list;
- b) from the second list which obtained the highest number of votes in the Shareholders' Meeting and which is not connected in any way, even indirectly, with the Shareholders who presented or voted for the list that came first in terms of number of votes are taken, based on the progressive order with which they are listed in the sections of the list, the remaining effective member, who will assume the position of Chairman of the Board of Statutory Auditors, and the other alternate member. In the event that several minority lists have obtained the same number of votes, the oldest candidate of the list, Statutory Auditor and alternate auditor is elected;
- c) in the event of the presentation of one list, the Board of Statutory Auditors will draw from it in full if it has obtained the approval of the simple majority of the votes.

If the composition of the Board of Statutory Auditors is not ensured in the aforementioned methods, in its effective members, in compliance with the *pro tempore* regulations on gender balance, the list that has obtained the highest number of votes, to the necessary replacements, according to the progressive order in which the candidates are listed.

In the event that the legal and statutory requirements are no longer fulfilled, the statutory auditor will no longer be able to hold the office. In the event of replacement of a Statutory Auditor, the alternate auditor belonging to the same list as the auditor being replaced will take his/her place or, failing that, in the event of departure of the minority auditor, the candidate subsequently placed on the same list to which the outgoing or subordinate first candidate from the minority list that obtained the second highest number of votes.

It is understood that the chair of the Board of Statutory Auditors will remain as the minority auditor, and that the composition of the Board of Statutory Auditors must comply with the *pro tempore* regulations in force on gender balance.

When the Shareholders' Meeting needs to appoint Statutory and/or Substitute Auditors in order to supplement the Board of Statutory Auditors, the procedure is as follows: should auditors elected from the majority slate need to be replaced, their successors are appointed by a relative majority without slate constraints; on the other hand, if Statutory Auditors from a minority slate are to be replaced, the Shareholders Meeting does so by a relative majority vote, choosing, where possible, from amongst the candidates indicated on the list to which the Statutory Auditor to be replaced belonged to, or from the minority list that obtained the second largest number of votes.

If the application of these procedures does not allow the replacement of the statutory auditors designated by the minority, the Shareholders' Meeting will proceed with a relative majority vote, subject to the presentation of candidates by members who, alone or together with others, are overall holders of shares with voting rights representing at least the percentage referred to above in relation to the procedure for the presentation of lists; however, in ascertaining the results of this last vote, the votes of the shareholders who, according to the communications given pursuant to the current regulations, indirectly or even jointly hold the relative majority of the votes that can be exercised at the Shareholders' Meeting with other shareholders adhering to a significant shareholders' agreement pursuant to the Art. 122 of Legislative Decree 58/1998, as well as shareholders who control, are controlled by or are subject to their common control.

The replacement procedures referred to in the preceding paragraphs must ensure compliance with current regulations on gender balance.

Pursuant to Art. 25 paragraph 3 of the Articles of Association, outgoing statutory auditors may be re-elected.

13. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (PURSUANT TO ART. 123-BIS, PARAGRAPH 2(D) AND (D-BIS), OF THE TUF)

Pursuant to Art. 25, paragraph 1 of the Articles of Association, the Shareholders' Meeting elects the Board of Statutory Auditors, consisting of 3 (three) Statutory Auditors, and determines their remuneration. The Meeting also elects 2 (two) alternate auditors.

The powers, duties and term of office of the Auditors are those established by law.

The Company's Board of Statutory Auditors is composed of 5 members, of whom 3 are active and 2 are alternates; they were appointed by the ordinary Shareholders' Meeting of 14 September 2018.

On 25 September 2018, following the resignation on said date of the Chairman of the Board of Statutory Auditors in office, the Shareholders' Meeting of the Company appointed Ms Carmen Pezzuto as Chairwoman of the Board of Statutory Auditors, for a term equal to that of the other members of the Board of Statutory Auditors.

The Board of Statutory Auditors will remain in office until the date of the Meeting called to approve the financial statements for the year ended 31 December 2020.

The following table shows the members of the Board of Statutory Auditors in office at the Report Date, showing the respective office held.

Name and surname	Role
Carmen Pezzuto (*)	Chairwoman
Luca Bassan	Statutory Auditor
Patrizia Santonocito	Statutory Auditor
Kristian Sartor	Alternate Auditor
Stefania Targa	Alternate Auditor

(*) The Chairwoman of the Board of Statutory Auditors, Carmen Pezzuto, was appointed on 25 September 2018 following the resignation on said date of the Chairman of the Board of Statutory Auditors then in office.

Please refer to **Table 3** in annex for details on the composition of the Board of Auditors.

All members of the Board of Statutory Auditors in office at the Report date are domiciled at the registered office of the Company for the purposes of their office.

All members of the Board of Statutory Auditors meet the independence requirements set forth in Art. 148, paragraph 3 of the TUF and the combined provisions of Articles 3 and 8 of the Self-Governance Code. None of the members

of the Board of Statutory Auditors had relations of a patrimonial or professional nature, either directly or indirectly, through third party companies or professional offices with the Issuer, the group of which it is part or a company that controls it or are subject to common control over the past three financial years.

The declaration of the members of the Board of Statutory Auditors on independence requirements was verified by the Board of Directors on 14 September 2018. The declaration of the Chairwoman of the Board of Statutory Auditors, Carmen Pezzuto, was verified by the Board of Directors on 25 September 2018. The Board of Statutory Auditors has verified the existence of the independence requirements for its members, in compliance with the Art. 8 of the Self-Governance Code.

All of the members of the Board of Statutory Auditors possess the requisites of professionalism and honour required by Art. 148 of the TUF and Regulation no. 162/2000 adopted by means of a decree of the Ministry of Justice.

Members of the Board of Statutory Auditors in office on the Report Date possess the requisites of professionalism required by Art. 1 of M.D. n. 162/2000, as below:

- (i) at least two Statutory Auditors and one alternate auditor are entered in the register of auditors and have exercised the activity of legal auditing of accounts for a period of not less than three years; or
- (ii) are chosen from among those who have gained a total of at least three years' experience in the exercise of (a) administration or control activities or managerial tasks in corporations with a share capital of not less than two million euros, or (b) professional activities or university teaching in legal, economic, financial and technical-scientific subjects, strictly related to the activity of the company, or (c) managerial functions at public bodies or public administrations operating in the credit, financial and insurance or in any case in sectors strictly related to the company's activity;
- (iii) for at least eighteen months, during the period between the two previous years, they did not adopt the related provisions and that in progress for administration, management or control functions in companies: not (a) subject to bankruptcy, administrative compulsory liquidation or similar procedures; (b) operating in the credit, financial, securities and insurance sectors subject to extraordinary administration procedures;
- (iv) no provision has been made for them to be removed from the single national role of stockbrokers pursuant to Art. 201, paragraph 15, of Legislative Decree no. 58, and stockbrokers who are excluded from trading on a regulated market.

As of the Report Date, to the best knowledge of the Company, none of the members of the Board of Statutory Auditors exceeds the limits on the accumulation of offices pursuant to Art. 144-*terdecies* of the Consob Issuer Regulation.

As of the Report Date, to the best knowledge of the Company, none of the members of the Board of Statutory Auditors is related to the other members of the Issuer's

Board of Statutory Auditors, to the members of the Board of Directors or to the main managers of the Company.

In compliance with the recommendations referred to in application of criterion 8.C.4 of the Self-Governance Code, the Company retains that the remuneration of statutory auditors is commensurate with the commitment required, the relevance of the role held as well as the dimensional and sectoral characteristics thereof.

It should also be noted that the Board of Statutory Auditors coordinates the internal audit function and the Control, Risk and Sustainability Committee in carrying out its work.

The following is a summary *curriculum vitae* of each member of the Board of Statutory Auditors in office at the Report date, which shows the competence and experience gained in the field of business management.

Carmen Pezzuto - Chairwoman of the Board of Statutory Auditors

Born in Sacile on 22 November 1967, she graduated in Economics and Commerce at the Ca' Foscari University of Venice in 1991. She has been a member of the Register of Chartered Accountants of Padua since 1994, and the Register of Legal Auditors since 1999. Since 2008, she has been a partner of the Tax Advisory Firm of Padua, where she has worked since 1994. She has twenty years of experience in the field of tax, corporate, accounting, corporate finance and audit consulting. She performs tax consultancy activities with reference to direct and indirect national taxes, and on some relevant aspects of international taxation. She holds positions as a director and statutory auditor in various corporations and listed companies. She is a Director of the Order and Foundation of Chartered Accountants and Accounting Experts of Padua, and is registered with the Chamber of Arbitration of Padua.

Luca Bassan - Statutory Auditor

Born in Padua on 8 October 1962, he graduated in Economics and Commerce at the Ca' Foscari University of Venice in 1986. He has been registered in the Register of Chartered Accountants and Accounting Experts of Padua since 1990 and the Register of Auditors since 1995. He has been a statutory auditor in various corporations since 1990, and is also a consultant and advisor in tax, corporate and administrative matters for corporations and individuals.

Patrizia Santonocito - Statutory Auditor

Born in Borgo Valsugana on 21 June 1963, she graduated in Political Science at the University of Padua. She is a tax, corporate and financial consultant for companies, even those publicly held. She works in insolvency proceedings, and has been appointed by the Court of Padua as Administrator, Judicial Commissioner and Judicial Liquidator in numerous procedures. She has also held the office of statutory auditor in listed companies.

Kristian Sartor - Alternate Auditor

Born in Venice on 05 July 1974, he graduated in Economics and Commerce at the Ca' Foscari University of Venice in 2000. He has been a member of the Order of Chartered Accountants and Accounting Experts of Venice since 2008. He holds various positions as bankruptcy trustee and judicial commissioner from the Court of Venice.

Stefania Targa - Alternate Auditor

Born in Padua on 23 September 1970, she graduated in Political Science at the University of Padua. Since 1997, she has been a member of the Association of Chartered Accountants and Accounting Experts and the Register of Auditors, and works as a chartered accountant mainly in the field of consultancy, assistance in business and corporate matters, tax, administrative matters for joint stock companies (also with public participation) and public and mixed bodies, in which she also held the office of statutory auditor and/or chairwoman of the Board of Statutory Auditors.

The remuneration of the statutory auditors was established by the Shareholders' Meeting on 29 June 2018 on an annual basis, and is commensurate with the commitment required, the relevance of the role held and the size and sectoral characteristics of the company.

Diversity criteria and policies

Standards that require the allocation of seats for the Board of Auditors to be elected based on a criterion that ensures the balance between genders have been incorporated into the Articles of Association of the Company, pursuant to the provisions of Art. 148, para. 1-bis of the TUF and Art. 8.P.2 of the Self-Governance Code. Art. 148, paragraph 1-*bis* of the TUF and Law 120/2011, as also clarified by Consob Communication DIE no. 0061499 of 18 July 2011, provide for the provisions on gender balance to apply from the first renewal of the Board of Statutory Auditors following the listing, providing that, for this first renewal, the less represented gender obtains at least one fifth of the elected auditors upon the first renewal of the Board of Statutory Auditors and at least one third of the auditors elected on the occasion of the next two consecutive mandates (rounded upwards).

It should be noted that at the Report Date the composition of the Board of Statutory Auditors is already compliant with the provisions of Art. 148, paragraph 1-*bis* of the TUF and referred to in Art. 8.P.2 of the Self-Governance Code, in adhering with the content of the Code of Ethics adopted by the Company and in compliance with the priority objective of ensuring adequate competence and professionalism of the members within its corporate bodies. Since this adjustment was made on a voluntary basis, it will not be taken into account for the purpose of calculating the three consecutive mandates provided for as the period of application of the discipline on gender balance.

Since the composition of the Board of Statutory Auditors complied with the legal provisions on gender diversity from the first day of listing, as of the Report Date,

the Company has not deemed it necessary to adopt *ad hoc* policies on diversity as regards the composition of control bodies for aspects such as age, gender composition and training and professional status.

14. INVESTOR RELATIONS

The Company considers essential and strategic interest and duty to establish and maintain a constant and open dialogue with its shareholders, investors, in particular with institutional ones, and more generally with all stakeholders that come into contact with Piovan and the Group.

To this end, by a resolution of 6 July 2018 and in compliance with the recommendations referred to in Art. 9.C.1 of the Self-Governance Code, the Board of Directors of the Company has appointed Luca Sabadin as *Investor Relator*.

A specific section of the Company's website (piovangroup.com) is dedicated to significant financial and corporate information for investors called "Investor Relations" within which an e-mail address is active to collect and respond to requests for information formulated by shareholders and investors.

The contact information for the Investor Relations Manager is: e-mail: ir@piovan.com.

15. MEETINGS (PURSUANT TO ART. 123-BIS, PARAGRAPH 2(C), OF THE TUF)

Pursuant to Art. 13 of the Articles of Association, the Shareholders' Meeting resolves on all matters within its competence by law.

Resolutions of the Shareholders' Meeting are adopted with the majorities required by law.

Resolutions of the Shareholders' Meeting, made in accordance with the law and these Articles of Association, are binding on all the Shareholders, even if they are not present or dissenting.

Pursuant to Art. 9 of the Articles of Association, ordinary and extraordinary shareholders' meetings are generally held in the municipality where the Company has its registered office, unless otherwise decided by the Board of Directors and provided that it carries out its activity in Italy or in a country where the Company directly or through its subsidiaries or investee companies.

The Ordinary Shareholders' Meeting and the Extraordinary Meeting are held at first call as per law.

The call is made within the terms prescribed by the laws and regulations in force, by means of a notice to be published on the Company's website, as well as by the methods provided for by the laws and regulations in force with notice no less than the legal minimum with respect to the date set for the Shareholders' Meeting.

The right to participate in the Shareholders' Meeting and to exercise the right to vote are governed by current legislation.

Those who have the right to vote may be represented at the Shareholders' Meeting pursuant to law by means of a proxy issued in accordance with the procedures established by current legislation. The proxy may be communicated to the Company electronically, by transmission by e-mail in the manner indicated in the notice of call.

The Company does not make use of the option provided by law to designate the representative to whom the shareholders may confer a proxy with voting instructions on all or some of the proposals on the agenda of the Shareholders' Meeting.

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors, or in the event of his/her absence or impediment, by the Deputy Chairman or Managing Director, if appointed and present; failing this, the Meeting elects its own president.

Meeting resolutions must be recorded in the minutes, drawn up in compliance with the regulations in force and signed by the chairman and secretary or notary chosen by the chairman.

Meetings are governed by specific regulations for the orderly and functional conduct of the Shareholders' Meetings ("**Meeting and Shareholder Regulations**") adopted by a resolution of the ordinary Shareholders' Meeting of 6 July 2018, in accordance with the recommendations laid down in Art. 9.C.3. of the Self-Governance Code and the provisions contained in Art. 10 of the Articles of Association.

Meeting and Shareholder Regulations are available on the Company's website (piovangroup.com) in the "Corporate Governance" section, to which reference is made for further details.

Following the Company's listing on 19 October 2018, Issuer Meetings were not held.

At the Report Date, there were no significant changes in market capitalisation of the Issuer's shares or in the composition of its corporate structure.

16. OTHER CORPORATE GOVERNANCE PRACTICES

No Corporate Governance practices other than those already described in the preceding paragraphs are reported.

17. CHANGES FROM THE END OF THE REFERENCE FINANCIAL YEAR

No changes in the Corporate Governance structure of the company occurred after the close of the 2018 financial year and until the approval of this Report by the Board of Directors, which took place on 14 March 2019.

* * *

Santa Maria di Sala, 14 March 2019

The Chairman of the Board of Directors

Nicola Piovan

ANNEX 1

List of offices held by the Directors of Piovan in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies*; List of offices held by Auditors in other companies.

Board of Directors as at 31.12.2018

Name	Role	Other offices held
Nicola Piovan	Executive Chairman	N/A
Filippo Zuppichin	Managing Director	N/A
Marco Stevanato	Non-independent director	Board Member of: <ul style="list-style-type: none"> • Crédit Agricole Friul Adria S.p.A Vice President of: <ul style="list-style-type: none"> • Stevanato Group S.p.A. Management Advisor of: <ul style="list-style-type: none"> • Gestione Fondazione Opera Immacolata Concezione Onlus
Lucia Giancaspro	Independent director	Board Member of: <ul style="list-style-type: none"> • Docomo Digital Italy S.p.A.
Marco Milani	Independent director	Chairman of the Board of: <ul style="list-style-type: none"> • Bormioli Pharma S.p.A. Board Member of: <ul style="list-style-type: none"> • Bertazzoni S.p.A.
Chiara Mio	Independent director	Chairman of the Board of: <ul style="list-style-type: none"> • Crédit Agricole Friul Adria S.p.A. • Corà Domenico & Figli S.p.A. Board Member of: <ul style="list-style-type: none"> • Danieli & C. Officine Meccaniche S.p.A. • Eurotech S.p.A. • Nice S.p.A. • O.V.S. S.p.A. • Servizi Italia S.p.A. • Mcz Group S.p.A. • Bluenergy Group S.p.A.
Marco Maria Fumagalli	Independent director <i>Lead Independent Director</i>	Board Member of: <ul style="list-style-type: none"> • Cerved Group S.p.A.

* For the purposes of this report, companies that exceed at least two of the following parameters have been considered "large": they have turnover, total assets and/or employees of more than € 50 million, € 100 million, and 100, respectively.

Name	Role	Other offices held
Carmen Pezzuto	Chairwoman of the Board of Statutory Auditors	<p>President of the Statutory Auditors of:</p> <ul style="list-style-type: none"> SAFILO GROUP S.p.A. <p>Statutory Auditor of:</p> <ul style="list-style-type: none"> Safilo S.p.A. Safilo Industrial S.r.l. Forno d'Asolo S.p.A. Buona Compagnia Gourmet S.r.l. Gradiente SGR S.p.A. Pixartprinting S.p.A. Isoclima S.p.A. Compar S.p.A. Aquafin Holding S.p.A. <p>Sole Auditor of:</p> <ul style="list-style-type: none"> Gate Eleven S.r.l. <p>Alternate Auditor of:</p> <ul style="list-style-type: none"> Santa Margherita S.p.A. Ca' del Bosco S.r.l. – Azienda Agricola S.M. Tenimenti Lamole e Vistarenni e San Disdagio S.r.l. Zignago Holding S.p.A. Exo Automotive S.p.A. Aquaspace S.p.A. Borgolon S.p.A. Multitecno S.r.l. M31 S.p.A. Tessilquattro S.p.A. Alessi Domenico S.p.A. Ca' Maiol S.r.l. – Società Agricola <p>Board Member of:</p> <ul style="list-style-type: none"> Order of Chartered Accountants and Accounting Experts of Padua Foundation of Accountants and Accounting Experts of Padua Eurotech S.p.A. <p>Independent Auditor of:</p> <ul style="list-style-type: none"> Lucy's Line S.r.l. Giovanni Zillo M.X. & C.S.R.L.
Patrizia Santonocito	Statutory Auditor	N/A
Luca Bassan	Statutory Auditor	<p>President of the Statutory Auditors of:</p> <ul style="list-style-type: none"> Calcio Padova S.p.A. Pittarello Holding S.p.A. Sacchi Giuseppe S.p.A. Sonepar Italia Holding S.p.A. Sonepar Italia S.p.A. H2C S.p.A. <p>Statutory Auditor of:</p> <ul style="list-style-type: none"> Consorzio Ottico Italiano Soc. Coop. Veneto Energie S.p.A. <p>Alternate Auditor di:</p> <ul style="list-style-type: none"> O.C.S. Officine Costruzioni speciali S.p.A. Ravagnan S.p.A. <p>Chairman and Managing Director:</p> <ul style="list-style-type: none"> Verifid S.r.l.
Stefania Targa	Alternate Auditor	<p>President of the Statutory Auditors:</p> <ul style="list-style-type: none"> Ceccato S.p.A. in Liquidazione
Kristian Sartor	Alternate Auditor	N/A

TABLES

TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE

STRUCTURE OF SHARE CAPITAL				
	No. of shares	% of share capital	Listed (indicate the markets)/not listed	Rights and obligations
Ordinary shares(*)	53,600,000	100%	MTA	- -
Multiple voting shares(**)	29.015.500	-	-	-
Shares with limited voting rights	-	-	-	-
Shares without voting rights	-	-	-	-
Other	-	-	-	-
OTHER FINANCIAL INSTRUMENTS (attributing the right to subscribe to newly issued shares)				
	Listed (indicate the markets)/not listed	Number of instruments in circulation	Category of shares for conversion/exercise	No. of shares for conversion/exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

(*) of which no. 2,670,700 treasury shares owned by Piovan S.p.A.; (**) increased voting rights

MAJOR SHAREHOLDERS					
Declarant	Direct shareholder	% Stake on ordinary capital (*)	% Stake on voting capital (**)	% Stake on ordinary capital (***)	% Stake on voting capital (****)
Nicola Piovan	Pentafin S.p.A	56.015	71.463	58.952	73.850
Allianz SE	ALLIANZ IARD SA	5.023	3.259	5.286	3.368
7INDUSTRIES HOLDING BV	7INDUSTRIES HOLDING BV	8.95	5.81	9.425	6.004

(*) Total number of ordinary shares: 53.6 million, including treasury shares in Piovan S.p.A.

(**) Share capital expressed in the number of votes pursuant to Art. 120, paragraph 1 of Legislative Decree no. 58 of 24 February 1998, ("TUF"), including treasury shares in Piovan S.p.A.

(***) Total number of ordinary shares: 50,929,300, excluding treasury shares in Piovan S.p.A.

(****) Share capital expressed in the number of votes pursuant to Art. 120, paragraph 1 of Legislative Decree no. 58 of 24 February 1998, ("TUF"), excluding treasury shares in Piovan S.p.A.

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

Board of Directors													Control and Risk Committee		Appointments and Remuneration Committee		Related Party Transactions Committee	
Role	Members	Year of birth	Date of first appointment *	In office from	In office to	List **	Esec.	Non-esec.	Indep. Code	Indep. TUF	No. of other offices held ***	% (*)	(*)	(**)	(*)	(**)	(*)	(**)
Executive Chairman	Nicola Piovan	24/09/1963	****	29/06/2018	Approval of the financial statements at 31/12/2020	N/A	X				N/A	100		N/A		N/A		N/A
Managing Director	Filippo Zuppichin ◊	24/12/1968	29/06/2018	29/06/2018	Approval of the financial statements at 31/12/2020	N/A	X				N/A	100		N/A		N/A		N/A
Director	Marco Stevanato •	27/12/1972	14/09/2018	19/10/2018	Approval of the financial statements at 31/12/2020	N/A		X			3	100		N/A		N/A		N/A
Independent Director	Marco Maria Fumagalli ◊	22/09/1961	14/09/2018	19/10/2018	Approval of the financial statements at 31/12/2020	N/A		X	X	X	1	100	1/1	M	1/1	M	1/1	P
Independent Director	Lucia Giancaspro	16/03/1971	29/06/2018	29/06/2018	Approval of the financial statements at 31/12/2020	N/A		X	X	X	1	100		N/A	1/1	P	1/1	M
Independent Director	Marco Milani	24/01/1954	14/09/2018	19/10/2018	Approval of the financial statements at 31/12/2020	N/A		X	X	X	2	100	1/1	M		N/A	1/1	M
Independent Director	Chiara Mio	19/11/1964	14/09/2018	19/10/2018	Approval of the financial statements at 31/12/2020	N/A		X	X	X	9	100	1/1	P	1/1	M		N/A
DIRECTORS THAT DEPARTED DURING THE REFERENCE FINANCIAL YEAR: During the year there was one change in governance from Sole Director to Board of Directors																		
Number of meetings that took place during the fiscal year: 1						Control, Risk and Sustainability Committee: 1				Nomination and Compensation Committee: 1				Related Parties Committee: 1				
Indicate the quorum required for the presentation of lists by minorities for the election of one or more members (pursuant to Art. 147-ter of the TUF): N/A																		

NOTES:
The symbols indicated below must be entered in the "Role" column:
• This symbol indicates a Director in charge of the system of internal control and risk management.
◊ This symbol indicates the principal person responsible for the management of the issuer (Managing Director 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 appointed for the first time (ever) to the Issuer's Board of Directors.
** This column indicates the list from which each director was taken ("M": majority list; "m": minority list; "Board": list presented by the Board of Directors).

*** This column reports the number of positions held by the person concerned as director or statutory auditor in other companies listed on regulated markets, including foreign markets, as well as in financial companies, banks, insurance companies. In the Corporate Governance Report, the offices are indicated in full.

**** previously in office as Sole Director of the Company

(*). This column indicates the participation of the directors in Board meetings and of the committees respectively (indicate the number of meetings attended compared to the total number of meetings that could have been attended; 6/8; 8/8 etc.).

(**). This column indicates the position of the director within the Committee: "P": president; "M": member.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Role	Members	Year of birth	Date of first appointment*	In office from	In office until	List **	Indep. Code	Participation in Board meetings ***	No. of other offices ****
Chairwoman	Carmen Pezzuto	22/11/1967	25/09/2018	25/09/2018	appr. fin. stat. at 31/12/2020	N/A	x	3/3	28
Statutory Auditor	Luca Bassan	08/10/1962	14/09/2018	14/09/2018	appr. fin. stat. at 31/12/2020	N/A	x	3/3	11
Statutory Auditor	Patrizia Santonocito	21/06/1963	14/09/2018	14/09/2018	appr. fin. stat. at 31/12/2020	N/A	x	3/3	N/A
Alternate Auditor	Kristian Sartor	05/07/1974	18/07/2013	14/09/2018	appr. fin. stat. at 31/12/2020	N/A	x		N/A
Alternate Auditor	Stefania Targa	23/09/1970	14/09/2018	14/09/2018	appr. fin. stat. at 31/12/2020	N/A	x		1
----- STATUTORY AUDITORS THAT DEPARTED DURING THE REFERENCE FINANCIAL YEAR -----									
Chairwoman	Chiara Boldrin	06/10/1968	05/08/1996		25/09/2018				
Statutory Auditor	Giovanni Boldrin	13/05/1972	14/06/2006		14/09/2018				
Statutory Auditor	Francesco Vian	17/06/1975	28/06/2002		14/09/2018				
Alternate Auditor	Luigi Vianello	31/08/1961	05/08/1996		14/09/2018				
Number of meetings that took place during the fiscal year: 3									
Indicate the quorum required for the presentation of lists by minorities for the election of one or more members (pursuant to Art. 148 of the TUF): N/A									

NOTES

* The date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the first time (ever) to the Issuer's board of statutory auditors.

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

*** This column indicates the attendance of auditors at meetings of the board of statutory auditors (indicate the number of meetings attended with respect to the total number of meetings they could have attended; 6/8; 8/8 etc.)

**** This column reports the number of positions held by the person concerned as director or statutory auditor pursuant to Article 148-bis TUF, and the related implementation provisions contained in the Consob Issuers Regulation. The complete list of offices is published by Consob on its website pursuant to Art. 144-quinquiesdecies of the Issuers Regulation Consob



Report on the corporate governance and
ownership structure of Piovan S.p.A.

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