



**CORPORATE GOVERNANCE  
AND  
OWNERSHIP STRUCTURE REPORT**

pursuant to article 123-*bis* of the Consolidated Financial Law

(traditional governance and control model)

- Issuer: **Isagro S.p.A.**
- Website: [www.isagro.com](http://www.isagro.com)
- Reporting year: **December 31<sup>st</sup>, 2019**
- Date of approval of the Report: **May 6<sup>th</sup>, 2020**

*Note: the Italian text prevails over the English version*

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## GLOSSARY OF TERMS

**Board:** the Board of Directors of the Issuer.

**Civ. Code/C.C.:** the Italian Civil Code.

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

**Consob Market Regulation:** the Regulation issued by Consob by resolution no. 20249 of 2017 on markets.

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

**Consob Regulation on Related Parties:** the Regulation issued by Consob by resolution no. 17221 of March 12<sup>th</sup>, 2010 (as subsequently amended) on transactions with related parties.

**Consolidated Financial Law (TUF):** Italian Legislative Decree no. 58 dated February 24<sup>th</sup>, 1998.

**Issuer:** Isagro S.p.A., registered office in Via Caldera 21, Milan, Italy; Share Capital € 24,961,207.65 fully paid in; VAT No. 09497920158; Milan Economic & Administrative Register (REA) No. 1300947.

**Report:** the report on Corporate Governance and Ownership Structure that companies must prepare pursuant to article 123-*bis* of the Consolidated Financial Law.

**Reporting year:** the reference financial year of the Report, i.e. the reporting year at December 31<sup>st</sup>, 2019.

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## 1.0 ISSUER PROFILE

### Profile and business model

Isagro S.p.A. (hereinafter also “Isagro”, the “Company”, the “Issuer”), established in 1993 and listed on Milan Stock Exchange since 2003, is the parent company of a Group that has become a highly qualified global operator in the agrochemical sector. Through a system of strategic partnerships and acquisitions and a product portfolio covering the safeguarding and nutrition of crops, the Group now operates in around 70 (seventy) Countries.

During 2019, the Isagro’s business model, which has always been characterized by making direct investments in new molecules (*discovery*) to attain, through third party agreements, the development and commercialisation of active ingredients, has undergone an important redefinition.

As a result of:

- a tightening of the regulatory framework with reference to organic chemistry products and related increase in development costs;
- a further boost to the concentration of the most important operators with innovative research (example: mergers between Bayer-Monsanto and Dow-DuPont);
- a strategic interest of the Indian and Chinese generic operators to have innovative products (coming from the outside) and to move the first steps for direct presences in the innovative research;
- a development of a Biosolutions department with operators of small/medium dimensions in need of innovative, marketing, registration and commercial know-how,

Isagro therefore reviewed its strategic target aiming to develop the unexpressed wealth of its organic chemistry assets to reinforce its presence in the cupric fungicides (not organic chemistry) and in the Biosolutions.

In this context of changing of business model it has to be included also the transfer of the shareholding of the subsidiary company Isagro Asia (which was active in synthesis, formulation and distribution of agrochemicals) to the company PI Industries Ltd. occurred on December 27<sup>th</sup>, 2019.

The Group performs its production in 5 (five) locations, 4 (four) in Italy and 1 (one) in India (as previously written, the latter has been sold at the end of December 2019 as part of the sale transaction of the shareholding of Isagro Asia). Isagro distributes directly, proprietary as well as third party products, in Brazil, Colombia, India, Spain and in the United States. In other countries, it operates through important local partners.

For a detailed analysis of the main events occurred in 2019, see the Management Report on the Financial Statements as at December 31<sup>st</sup>, 2019.



Isagro qualifies as a SME (*Small Medium Enterprise*) pursuant to art. 1, lett. w-quater.1) TUF. In particular, pursuant to the aforementioned article, an Issuer is expected to assume the status of SME on the existence of at least one of the following requirements: (i) a turnover of less than Euro 300 million or (ii) a market capitalization of less than Euro 500 million.

Issuers that have exceeded both the aforementioned limits for three consecutive years are excluded from the SME status.

Isagro therefore falls within the definition of a SME in that, as shown in the following table, both the turnover and the average capitalization recorded during the years 2018, 2017 and 2016 are below the threshold set by Consob.

Turnover <sup>1</sup> (Euros)			Average capitalization <sup>2</sup> (Euros)		
2019	2018	2017	2019	2018	2017
105,368,640	152,771,086	149,580,181	49,825,639	58,175,423	51,548,830

### Mission and ethical values

Isagro's mission mainly consists in offering innovative solutions, with low environmental impact, through the development of the unexpressed wealth of the chemical assets to reinforce the presence of the cupric fungicides (inorganic chemistry) and the Biosolutions.

At the hearth of Isagro strategic and innovative projects, are farmers and farms with their need to satisfy the food chain with high quality products. Isagro ambition is to guarantee food safety by exploiting the planet's resources sustainably: a larger production in a better way.

Isagro refers to the ethical principles set forth in the Group Code of Ethics, upon which its models of conduct are based in seeking to compete effectively on the market, improve its customer satisfaction levels, increase the value for its shareholders, develop the skills and promote the professional growth of its employees.

### Governance Model

The corporate governance system adopted by Isagro is structured in accordance with the traditional model and complies with the principles set forth in the Corporate Governance Code.

The Company's governance system consists of the Shareholders' Meeting, a Management Board - the Board of Directors - and a Supervisory Board external to the Board of Directors - the Board of Statutory Auditors. The statutory audit on the Company's accounts is done by an independent auditor appointed by the Shareholders' Meeting on recommendation of the Board of Statutory Auditors.

The Board of Directors has established two internal committees, which provide consulting support and submit proposals: the Nomination and Remuneration Committee and the Control, Risk and Sustainability Committee both composed by independent directors.

In addition to the above-mentioned, there are also the following governing/monitoring bodies:

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<sup>1</sup> The turnover refers to the Isagro Group (consolidated data).

<sup>2</sup> Average capitalization refers to the sum of the average capitalization of Ordinary Shares and Growth Shares.

- the Executive Director Responsible for the Internal Control and Risk Management System, position covered by the Vice-Chairman;
- the Lead Independent Director, appointed in compliance with criterion 2.C.3. of the Code;
- the Manager responsible for preparing the corporate accounting documents, position covered by the Company's Chief Financial Officer;
- the Risk Manager, position covered by the Company's Q&HSE Manager;
- the Internal Audit Manager;
- Corporate and Legal Affairs Managers, actively engaged in governance and compliance matters;
- the Related-Party Transactions Committee (composed by Independent Directors), established according to the Consob regulation on transactions with related parties;
- the Supervisory Body adopted by the Board of Directors in accordance with the requirements of the Italian Legislative Decree No. 231/2001.

The Governance Model of Isagro S.p.A. is based on a set of rules, principles and procedures periodically updated according to legislation and best practice.

### Corporate Social Responsibility

Since 2002, Isagro publishes a Social-Environmental Report, that since 2008 has become Environmental Report on its website ([www.isagro.com](http://www.isagro.com)). This Report is a way to inform the market on the results of Isagro's commitment in terms of improving environmental impact and protecting the health and safety of employees and the local communities in which its plants are located.

In accordance with the EU Directive 2014/95 on "Non-Financial Information", implemented through Legislative Decree 254/2016, Isagro has developed a targeted non-financial reporting approach based on recognized reporting standards ("GRI Sustainability Reporting Standards", published by the Global Reporting Initiative according to Core approach).

In compliance with the above, since 2016, Isagro prepares a "Non-Financial Statement" of the companies belonging to the Group, describing the initiatives and the main results in terms of sustainability performance achieved during the reference period.

The "Non-Financial Statement" prepared as of December 31<sup>st</sup>, 2019 has been subjected to limited assurance by the Auditing Firm Deloitte & Touche, to the approval of the Board of Directors of Isagro S.p.A. on May 6<sup>th</sup>, 2020 and will be brought to the attention of the Shareholders' Meeting on June 19<sup>th</sup>, 2020.

Environment, quality and safety are Isagro's founding values. Indeed, Isagro participates in the *Responsible Care* voluntary programme coordinated by all national chemical industry federations, created as a driver for a continuous adaptation of the industrial activities to the growing needs for safety and environmental protection, and at the same time, for the commitment to the communication of the achieved results, towards continuous, tangible and significant improvement. Isagro is also a member of the *Fondazione Sodalitas*, Italian partner to the European Commission's lead contact network, Corporate Social Responsibility Europe. *Fondazione Sodalitas* is committed to implementing the new European Union strategy on Corporate Social Responsibility in Italy.



For further details on the activities implemented by Isagro in the area of Social Responsibility, see the contents of the "Non-Financial Statement" year 2019, published on the Company's website ([www.isagro.com](http://www.isagro.com) - sustainability section/socio-environmental reports).

## 2.0 INFORMATION ON THE OWNERSHIP STRUCTURE (pursuant to article 123-bis, paragraph 1, TUF) as at May 6th, 2020

### a) Share capital structure (pursuant to article 123-bis, paragraph 1a), TUF)

Isagro S.p.A.'s share capital is made up of Ordinary Shares with voting rights and of special shares called "Growth Shares" without voting rights, both listed on the STAR segment of the MTA market managed by Borsa Italiana S.p.A..

Growth Shares are a new special category of shares (listed on MTA - STAR segment starting from May 2014) without voting rights, designed for companies controlled by a corporation holding more than 30% of its Ordinary Shares and characterized for automatic conversion, at par, to Ordinary Shares whenever the party holding a controlling position reduces its stake to 30% or less of the Issuer's Ordinary Shares, and in any case if the conditions arise for mandatory takeover bid.

The total share capital, fully subscribed and paid in, is equal to € 24,961,207.65, divided into no. 24,549,960 Ordinary Shares and no. 14,174,919 Growth Shares.

The share capital consists of the categories of shares indicated in the table below:

<i>SHARE CAPITAL STRUCTURE</i>				
	No. of shares	% of share capital	Listed (with indication of the market)/Unlisted	Rights and Obligations
Total Shares of which:	38,724,879	100%	MTA STAR	As per law and per the Articles of Association
- Ordinary Shares	24,549,960	63%	MTA STAR	As per law and per the Articles of Association
- Growth Shares	14,174,919	37%	MTA STAR	As per law and per the Articles of Association
Multiple voting shares	/	/	/	/
Limited voting shares	/	/	/	/
Non-voting shares (Growth Shares)	14,174,919	37%	MTA STAR	As per law and per the Articles of Association

KEY:

MTA STAR: Online Stock Market (High Requirements Segment)



No other financial instruments exist that assign subscription rights to new share issues.

It should be noted that the Shareholders' Meeting of April 24<sup>th</sup>, 2018 approved the long-term retention and incentive plan called "Restricted Shares and Performance Shares Plan 2018-2021" which provides for the free allocation of Growth Shares (for a total maximum number of one million shares) in favour of certain beneficiaries (a small number of top managers of Isagro); this plan has a total duration of 4 years (starting on January 1<sup>st</sup>, 2018 and ending on December 31<sup>st</sup>, 2021), at the end of which the achievement of the performance objectives will be verified.

For further details on the relevant aspects of the share-based incentive plan, see the contents of the "Remuneration Report" (page 6), prepared pursuant to article 84-quater of the Consob Issuer Regulation and available at the registered office and the Company website (www.isagro.com - governance section/ Shareholders' Meeting).

**b) Restrictions on transfer of securities (pursuant to article 123-bis, paragraph 1b), TUF)**

No restrictions exist on the transfer of securities such as, for example, limits on possession of them or the requirement to obtain the consent of the Issuer or other shareholders.

**c) Significant shareholdings (pursuant to article 123-bis, paragraph 1c), TUF)**

The table below lists all significant shareholdings of the Issuer's capital, held directly or indirectly, as reported - at the date of this Report - in the disclosures required by article 120 of TUF:

<i><b>SIGNIFICANT SHAREHOLDINGS</b></i>			
Declarant	Direct shareholder	Share % of ordinary capital	Share % of voting capital
Piemme S.r.l.	Holdisa S.r.l.	53.662%	53.662%

**d) Securities conferring special rights (pursuant to article 123-bis, paragraph 1d), TUF)**

The Issuer has not issued securities conferring special control rights.

**e) Employee share ownership: mechanism for exercising voting rights (pursuant to article 123-bis, paragraph 1e), TUF)**

No specific mechanism is provided for the exercise of voting rights in the event of employee share ownership.

**f) Restrictions on voting rights (pursuant to article 123-bis, paragraph 1f), TUF)**

No restrictions exist on voting rights. As concerns terms on the exercise of voting rights during Shareholders' Meetings, see section "Shareholders' Meetings" of this Report.

**g) Shareholder agreements (pursuant to article 123-bis, paragraph 1g), TUF)**

As at the approval date of this Report there is the following agreement in place, of which the Issuer is aware, pursuant to article 122 of the Consolidated Financial Law.

This agreement has been undersigned on July 31<sup>st</sup>, 2019 between the shareholders and natural persons of Piemme S.r.l. ("Piemme"), the company that indirectly exercises control over the issuer Isagro S.p.A. and Gowan Company LLC ("Gowan", the company that holds the 49% of the Holdisa share capital); this shareholders' agreement (the "Agreement") is aimed at making some changes to the By Laws of Piemme S.r.l. and Holdisa S.r.l. relating to the transfer of the participations, foreseeing for this purpose agreements for the exercise of the vote in the respective shareholders' meetings.

The shareholders' agreements contained in the Agreement concern the representative shares of 100% of the share capital of Piemme and Holdisa too.

<b>Piemme S.r.l. Shareholders</b>	<b>% of Piemme S.r.l. share capital</b>
Giorgio Basile	37.57%
Maria Camilla Filippini Battistelli.	21.93%
Alessandra Basile	20.00%
Riccardo Basile	20.00%
Gowan	0.50%

The Agreement is in force until the first of the following dates: (i) fulfilment of all commitments (as indicated at the point 5. of the Extract of the Agreement - issued on the website of Consob and of the Issuer in the special sections to which you are referred for the completed text - (ii) on December 31<sup>st</sup>, 2020.

Moreover, note that, for appropriate information that on October 18th, 2018, the shareholder agreement related to Piemme S.r.l. shares (signed on October 18th, 2013 between the shareholders and natural persons of Piemme and Gowan) ceased all its effects due to expiry of the term of duration. At this regard, it has to be noted that the original agreements have all been punctually executed by the signatories Piemme and Gowan (including, in particular, the lock-up agreement, ceased due to the expiry of the term of duration, the inclusion of a pre-emption clause in the Piemme by-laws and the introduction in the Isagro by-laws of a clause relating to the authorization of the shareholders' meeting in case of sale of assets representing the 25% of Isagro's assets resulting from the last accounting document of certified period); only the agreements and the constraints related to the exercise of the vote in the shareholders' meetings of Holdisa and Isagro remained into force (as better showed in the Extract of the Agreement in question, issued on the Consob and Issuer's websites in the appropriate sections).

**h) Change of control clauses (pursuant to article 123-bis, paragraph 1h), TUF) and Articles of Association provisions regarding takeover bids (pursuant to article 104 paragraph 1-ter and article 104-bis paragraph 1)**

Change of control clauses

As part of its ordinary business activities, the Issuer is party into supply and cooperation agreements with other industrial and financial partners which, as normal provision in international agreements, envisage clauses offering each party the option to terminate or amend these agreements in the event of direct and/or indirect change of control of one of the parties. Furthermore, it is party of mid-long term loan agreements which include clauses regarding the advance repayment in the event of a change of control of the Issuer.

#### Articles of Association provisions regarding takeover bids

Note that article 7 of Company's Articles of Association, pursuant to article 104, paragraph 1-*ter* of the Consolidated Financial Law, envisages that neither the conversion of Growth Shares into Ordinary Shares nor the expectation or the raising of the obligations to promote a public takeover as at the aforementioned article 7, require and therefore are subordinated to the authorization of the Shareholders' Meeting set forth by paragraphs 1 and 1-*bis* of article 104 of the Consolidated Financial Law. Moreover, note that, in accordance with the above-mentioned article 104, paragraph 1-*ter*, second and third sentence, the Company, following the resolution of Shareholders' Meeting of April 7<sup>th</sup>, 2014, notified Consob and disclosed to the market, in accordance with law requirements, the approval of any departure from the passivity rule referred to in article 104, paragraphs 1 and 1-*bis*, provided in article 7 of Articles of Association.

Note also that the Articles of Association do not contemplate the application of the neutralisation rules pursuant to article 104-*bis*, paragraphs 2 and 3 of the Consolidated Financial Law.

#### **i) Mandates to increase share capital and authorizations to purchase treasury shares (pursuant to article 123-*bis*, paragraph 1m), TUF)**

##### Mandate to increase share capital

At present, no power has been delegated to the directors in relation to share capital increases pursuant to article 2443 of the Italian Civil Code and there are no plan envisaging powers being granted to the directors for the issue of equity instruments.

##### Authorization to purchase treasury shares

On April 24<sup>th</sup>, 2018, the Shareholders' Meeting authorized the Board of Directors to purchase, on one or more times, a maximum of no. 1,000,000 (one million) own Growth Shares.

This transaction is intended to serve the long-term *retention* and *incentive* plan called "Restricted Shares and Performance Shares Plan 2018-2021" approved by the Shareholders' Meeting on the same date and referred to in section 2.0 a) of this Report.

It should be noted that, as at December 31<sup>st</sup>, 2019, the Company held n. 890,000 own Growth Shares. For the purposes of the above-mentioned plan, during the month of February 2020, n. 25.000 own Growth Shares have been assigned to the beneficiaries of the same plan while for n. 157,500 a faculty has been given to the beneficiaries in order to be able to assert the right of assignment by the end of next May 31<sup>st</sup>, 2020.



### **I) Direction and co-ordination (pursuant to article 2497 et seq. of the Italian Civil Code)**

Pursuant to article 2497 and subsequent articles of the Italian Civil Code, the Issuer is subject to the direction and co-ordination of Holdisa S.r.l., which holds 13,174,000 Ordinary Shares, equal to 53.66% of the Issuer's ordinary share capital.

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We finally highlight that:

- the information required by article 123-bis, paragraph 1i) ("*agreements between the company and its directors [...] that provide for the payment of indemnity in the event of resignation or unfair dismissal or termination of office following a takeover bid*") are provided in the "Report on Remuneration" (page 6), published in compliance with article 123-ter of the Consolidated Financial Law, attached to this Report and available at the Company's registered office and website ([www.isagro.com](http://www.isagro.com)—governance section/Shareholders' Meeting);
- the information required by article 123-bis, paragraph 1l), ("*rules applicable to the appointment and replacement of directors, if different from the provisions of law and regulations applicable on a supplementary basis*") are provided in section 4.1 "Board of Directors" of this Report.

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### **3.0 COMPLIANCE (pursuant to article 123-bis, paragraph 2a), TUF)**

The Issuer has adopted and is compliant with the Corporate Governance Code, version updated on July 2018 (adopted by resolution of the Board of Directors on August 1<sup>st</sup>, 2018), available to the public on the Italian Stock Exchange website ([www.borsaitaliana.it](http://www.borsaitaliana.it)) and on the Corporate Governance Committee website ([www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm](http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm)), as the basis for its effective corporate governance.

In particular, if the Company has decided to depart from certain principles or application criteria, it has provided the reasons in the corresponding section of this Report.

On January 31<sup>st</sup>, 2020, the Corporate Governance Committee defined a new version of the Corporate Governance Code which contents have been brought to the attention of the Board during the meeting of February 11<sup>th</sup>, 2020.

The new version of the Code will be applied by the Issuer starting from the first exercise which begins after December 31<sup>st</sup>, 2020, informing the market in the Corporate Governance Report to be issued during 2022.

Neither the Issuer nor any of its subsidiaries of strategic importance are subject to non-Italian laws that could affect the Issuer's corporate governance structure.

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## 4.0 BOARD OF DIRECTORS

### 4.1 APPOINTMENT AND REPLACEMENT (pursuant to article 123-bis, paragraph 1), TUF)

In accordance with article 15 of the Articles of Association, the management of the Company is assigned to a Board of Directors consisting of five members, initially appointed in the Articles of Incorporation and subsequently elected by the Shareholders' Meeting.

Directors may be non-shareholders and hold office for a term of three years or less, where decided by the Shareholders' Meeting upon their appointment. Directors may be re-elected to office.

Directors are appointed by the Shareholders' Meeting on the basis of lists submitted by the shareholders and by the outgoing Board of Directors.

In accordance with article 147-ter TUF and in compliance with the article 144-quarter of Consob Regulation on Issuers, lists may be submitted by as many shareholders as represent, alone or with others, at least 2.5% (two point five per cent) of the share capital, or a different percentage established by Consob regulation<sup>3</sup>, and must be filed at the registered office by the deadlines provided by current laws and regulations and this will be mentioned in the notice of meeting. In order to demonstrate ownership of the number of shares necessary to present lists, shareholders must ensure that the related certification reaches the Issuer by the deadlines established under current regulations.

Each shareholder can submit (or jointly submit) and vote on one list only.

Shareholders participant to the same shareholders' agreement pursuant to article 122 of Legislative Decree No. 58/1998, or united under a voting arrangement, whatever the form and subject of the agreement, cannot submit or vote on more than one list, individually or jointly, not even through an intermediary or trustee companies. In this regard, when submitting the list, the submitting shareholders must also file a declaration which certifies the absence of agreements or connections of any kind with other shareholders who have individually or jointly submitted lists.

Participation and votes expressed in violation of this prohibition shall not be attributable to any list.

Each list must contain one or more candidates who meet the independence requirements under provisions of law. The Articles of Association do not provide for directors' independence requirements other than those referred to in art. 148, third paragraph, Legislative Decree 58/1998 (TUF); by adhering the Company to the Code, the Board of Directors verifies the possession of the independence requirements also pursuant to the Code itself. It should be noted that the independent Directors currently in office are independent both pursuant to the TUF and pursuant to the Code.

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<sup>3</sup> By Resolution no. 20273 of January 24<sup>th</sup>, 2018, Consob confirmed the 2.5% threshold.

The lists presenting three or more candidates must also include candidates of both genders, so that the minority gender represents at least the number of candidates corresponding to the minimum percentage envisaged by law.

Candidates must be identified in the lists by a progressive number equal to the number of positions to be covered. Shareholders must file the following together with the lists:

- (i) statements of irrevocable acceptance of office by the candidates (subject to their appointment);
- (ii) attestation that the candidates meet the requisites of professionalism and competence, and that causes of ineligibility and/or forfeiture do not exist, as defined by laws and regulations in force;
- (iii) a *curriculum vitae* of each candidate.

No one person may candidate in more than one list. The acceptance of candidature on more than one list will lead to ineligibility.

Directors are elected as follows:

- (a) two-thirds of the directors to be appointed shall be drawn from the list receiving the majority of votes, in the progressive order of appearance on the list, rounded down where a whole number is not obtained;
- (b) the remaining directors shall be drawn from other lists; for this purpose, the votes obtained by each of the lists are to be divided by one, two, three, and so on, depending on the number of directors to be appointed. The quotients obtained in this way shall then be progressively assigned to the candidates on each list, in their order of appearance. The candidates are then to be ranked on a single list on the basis of the quotients assigned them, in decreasing order. The candidates with the highest quotients shall be appointed. Where more than one list obtains the same number of votes, the shareholders present at the meeting shall vote between said lists. The candidate elected on the list obtaining a simple majority of votes shall be appointed. In any case, at least one of the Members of the Board of Directors is taken from the minority list obtaining the most votes and in no way connected, not even indirectly, to the shareholders that presented or voted on the list that came first in terms of number of votes<sup>4</sup>;
- (c) if, as a result of the procedure referred to in points a) and b) above, is not guaranteed:
  - the Board membership in compliance with the current *pro tempore* regulations on gender balance, the candidate belonging to the most represented gender elected as the last in progressive order in the list achieving most votes will be replaced by the first candidate from the minority gender included on that same list but not yet elected. A similar replacement will also be made in other lists achieving the election of at least one candidate, in decreasing order of the number of votes achieved, until the Board membership complies with the *pro tempore* current regulations on gender balance;
  - a number of independent directors equal to at least the minimum number required by article 147-ter, paragraph 4 of Legislative Decree No. 58/1998, is not appointed, with respect to the overall number of directors, the non-independent candidate appointed as the last in progressive order in the list with the highest number of votes out of those that have achieved

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<sup>4</sup> Isagro's Articles of Association do not provide a percentage of votes equal to at least half of that one required by the same for the submission of minority list (compare to article 147-ter, paragraph 1, TUF).

the election of at least one candidate but have not yet appointed at least one independent director, will be replaced by the first independent candidate on that list thus far not elected. A similar replacement will take place in the list that comes second in terms of number of votes among those that achieved the election of at least one candidate but have not yet appointed at least one independent director, if necessary, to ensure appointment of the minimum number of independent directors;

- (d) finally, if the procedure referred to in point c) above fails to ensure compliance with the *pro tempore* current regulations on gender balance and/or on the minimum number of independent directors, the Shareholders' Meeting will take place with the legal majority to appoint the missing directors subject to the presentation of candidatures of persons satisfying the necessary requisites. For the appointment of the directors outside the renewal of the entire Board of Directors, or where a single list or no list is submitted, the Shareholders' Meeting resolves with the legal majority and the above procedures do not need to be observed, in compliance with the *pro tempore* provisions in force on balance between genders and/or on the minimum number of independent directors. If one or more directors terminate office during the year, arrangements will be made pursuant to article 2386 of the Italian Civil Code and in compliance with the *pro tempore* current regulations on gender balance and/or on the minimum number of independent directors.

Pursuant to article 16 of Articles of Association, if the resignation or other reasons result in termination of the majority of directors, the entire Board shall be considered to have resigned and a Shareholders' Meeting must be called without delay to appoint all directors.

Pursuant to article 17 of the Articles of Association, unless arranged by the Shareholders' Meeting, the Board of Directors will elect a Chairman among its members and may appoint one or more Vice-Chairmen and a Secretary, who does not need to be a director or a shareholder.

### **Succession plans**

Considering the ownership structure and the fact that the only two executive directors have specular delegations, the Board of Directors of the Issuer is evaluating, according to timing and methods considered most appropriate, an adequate process of definition of a plan for the succession of executive directors that provides special mechanisms to be adopted for early replacement, i.e. prior to the natural expiry of the office, (identifying the corporate bodies and parties involved in such activity), also on the basis of the dismissal of strategic assets still in progress which will determine the modification of the organizational structure.

## **4.2 COMPOSITION (pursuant to article 123-bis, paragraphs 2d) and d-bis), TUF)**

The current Board of Directors, which mandate expires on approval of the Financial Statements as at December 31<sup>st</sup>, 2020, was elected by list vote during the Shareholders' Meeting of April 24<sup>th</sup>, 2018, pursuant to the provisions of article 15 of the Articles of Association.

Two lists for appointment to the Board of Directors were submitted.





The first list, presented by the shareholder Holdisa S.r.l. (holder of a stake equal to 53.66% of the share capital of Isagro S.p.A.), was composed as follows:

1. Giorgio Basile (Chairman)
2. Maurizio Basile
3. Riccardo Basile
4. Silvia Lazzeretti
5. Roberto Bonetti
6. Enrica Maria Ghia - Independent Director
7. Giuseppe Persano Adorno - Independent Director
8. Claudia Perin - Independent Director

The second list, presented by the shareholder Mediolanum Gestione Fondi Sgr (owner of a 3.16% stake in the share capital of Isagro S.p.A.), was composed as follows:

1. Erwin Paul Walter Rauhe - Independent Director
2. Marcella Elvira Antonietta Logli - Independent Director
3. Angelo Zaccari - Independent Director

During the Shareholders' Meeting of April 24<sup>th</sup>, 2018, the number of Directors to be elected was set at 11 (eleven) and, therefore, in order to complete the number of Directors to be elected in light of the withdrawal of the candidate Claudia Perin (which took place on April 16<sup>th</sup>, 2018) and, in order to comply with the current provisions on gender balance, the appointment of Margherita Zambon as director was proposed by the shareholder Holdisa.

All candidates on the lists submitted were elected and the latter proposal was accepted.

The Board of Directors, in office as at December 31<sup>st</sup>, 2019, is composed as follows:

*Executive members:*

- Giorgio Basile, Chairman and Chief Executive Officer
- Maurizio Basile, Vice-Chairman

*Non-executive members:*

- Riccardo Basile
- Roberto Bonetti
- Enrica Maria Ghia (Independent Director)
- Silvia Lazzeretti
- Marcella Elvira Antonietta Logli (Independent Director)
- Giuseppe Persano Adorno (Independent Director)
- Erwin Paul Walter Rauhe (Independent Director)
- Angelo Zaccari (Independent Director)
- Margherita Zambon

A brief *curriculum vitae* is provided below for each director, currently in office, highlighting their competence and experience in business management.

### **Giorgio Basile**

Graduated in Economics with honours, he gained significant experience in Italy and abroad in Strategic and Sales Areas in Mobil Oil, and then moved on to Montedison, where he was Head of Strategic Coordination and then he became Chief Executive Officer at Auschem S.p.A..

He was Chairman of Agrofarma (National Association of Agrochemical Companies) for the four-year period 2001-2005.

From July 2011 to June 2013 he was Vice-Chairman with responsibility for Finance, Company Law and Tax Matters of Assolombarda, where he had previously been a member of the Executive Committee from 2005, and with responsibility for Research and Innovation for the first four years. Since June 2013 he has been a permanent member of the Executive Committee and Council of Assolombarda. For Confindustria he was a permanent member of the Technical Committee for Special Research and Innovation Projects and member of the Technical Committee for Tax in the period 2010-2013. Designated by Confindustria, he was a member of the Consultation Committee of Italian Stock Exchange in the period 2011-2014.

He is also a member of the Executive Council Committee of Federchimica.

Since June 2013 he has been a member of the Executive Committee of Assonime (Association of Italian Public Limited Companies). Since September 2014 he has been Vice-Chairman of *CSGM* (Research Facility Grande Milano).

Since April 2015 he has been Vice-Chairman of CINEAS (Consortium founded by the Milan Polytechnic for the dissemination of culture and specialized training on risk management).

Since 2015 up to 2019 he has been Chairman of the Board of the “The Ruling Companies Association”. Since June 2016 he has been part of the General Board of Assolombarda, after being permanent invited in Steering Committee and Junto over the last three years.

He is the Chairman of the Board of Directors of the Issuer and since 1994 he has also been CEO.

### **Maurizio Basile**

Graduated in Economics and registered auditor, he was CEO and General Manager of Aeroporti di Roma S.p.A. until April 2008.

Between 2003 and 2006 he was Group General Finance Control and Equity Investments Manager of Ferrovie dello Stato S.p.A..

Between 1998 and 2003 he was Chairman and CEO of *Ente Tabacchi Italiani S.p.A.*, and between 1990 and 1994 he was Director of Planning and Strategic Control for the Alitalia Group. He has been awarded the state honour of Grande Ufficiale di Merito of the Italian Republic.

From 2000 to 2008 he was head of Business Methodology and Quantitative Measurement in the Economics Department of the Cassino State University.

Until the 2015-2016 academic year he was head of Advanced Management Control in the Economics Department of Luiss University in Rome. Since 2011 he has been Executive Director of I.R.B.M. Science Park S.r.l..

From June 2015 to December 2018 he has been Chairman of Novares S.p.A. (Federazione Italiana Tabaccai Group), a company operating in the collection of local taxes.

Since July 2016, has been Senior Advisor of Oliver Wyman.



During 2018 and 2019 he has been Chairman of the Board of Statutory Auditors of EG Group Italia S.p.A..

Since January 2019, he has been a consultant for the Italian Federation of Tobacconists.

He has been Vice-Chairman of the Issuer since September 1<sup>st</sup>, 2011.

### **Riccardo Basile**

Graduated in Economics at Bocconi University specialising in Corporate Finance. In the period 2006-2008 he specialized in Finance earning a master at the Leonard N. Stern School of Business where awarded merit-based scholarship.

He started his career working from 2003 to 2005 in A.T. Kearney as business analyst. Between 2005 and 2006 he was Senior Business Analyst of Strategy and Business Development department in Isagro S.p.A..

In 2007 he worked as a Summer Associate in the Investment Banking Team (Communication, Media and Technology) of JP Morgan. From 2009 to 2012 he worked firstly as Associated and later as Junior Engagement Manager at McKinsey & Company in Milan and London.

In 2012 he took part, together with other shareholders, to the founding of Lazada, first operator in the e-commerce market in Southeast Asia, recently joined the Alibaba Group.

Until 2015 he was Chief Executive Officer of Lazada Thailand. Later he has been appointed also as Group Chief Commercial Officer, role covered until June 2018.

He is currently engaged in entrepreneurial activities.

He has been a Non-Executive Director of the Issuer since August 5<sup>th</sup>, 2014.

### **Roberto Bonetti**

Graduated in Chemical Engineering, he has gained significant experience in the agro-pharmaceutical sector.

From 1998 to 2002 he worked in I.P.I.C.I. S.p.A., as a Process Engineer.

From 2012 to 2017 he covered various positions in Isagro S.p.A. in relation to operations management worldwide.

From 2017 he is the Business Development Manager - Corporate Investments at Gowan Crop Protection Limited - UK.

He has been a Non-Executive Director of the Issuer since April 24<sup>th</sup>, 2018.

### **Enrica Maria Ghia**

Graduated in Law, she was admitted to Milan Bar and the special register of Cassation Lawyers.

Since 1998 she has been a lawyer at the Law Firm Ghia, exercising the legal profession in the fields of banking, corporate, commercial and bankruptcy law, about the corporate restructuring sector. She is legal and consultant of major Italian banks and follows numerous domestic and foreign companies operating in the fields of industry and services.

From 2009 to 2011 she was member of the World Jurist Association Board of Directors; from 2003 to 2012 she was Chairman of the Board of "Together for our Children's" Foundation; since 2013 up to 2017 she has been Chairman of the Board of Directors of TMA Italy.

Since 2015 she has been member of the Board of Directors of The Circle Italy Onlus, Founding Member of the International Insolvency Institute and Fellow of the European Association of Certified Turnaround Professionals (EACTP). From 2017 to 2019 she was the Chairman of the TMA Europe Board of Directors.



Since May 2019, she has been Independent Director of Iren S.p.A. and since 2020, International Vice-President of TMA Global.

She is active partner in numerous Italian and international associations, and in the last 10 years she has participated, even as the speaker, at numerous conferences especially in the fields of turnaround, restructuring and corporate recovery.

She has been an Independent Director of the Issuer since April 28<sup>th</sup>, 2016.

### **Silvia Lazzeretti**

Graduated in Law, she is a member of the Milan Bar Association and is authorized to practice in the higher jurisdictions.

She has extensive experience in the field of national and international litigation, with particular reference to corporate and financial litigation and litigation relating to projects in the energy sector; she is also an expert in corporate law and insolvency and restructuring procedures.

She works as a lawyer and consultant, from a national and international perspective, assisting companies and corporate groups.

He is a member of the International Bar Association (IBA), the O (International Litigation) and CIArb (Chartered Institute of Arbitrators) Committee.

She is a speaker at numerous conferences and workshops on corporate matters and insolvency and restructuring procedures.

She has been a Non-Executive Director of the Issuer since April 24<sup>th</sup>, 2018.

### **Marcella Elvira Antonietta Logli**

Graduated in Information Sciences, she has gained considerable experience in the digital media, Internet technologies, ICT as well as in the field of Corporate Social Responsibility.

From 1993 to 1995 she covered various roles in marketing and communication at Apple Computer S.p.A. From 1995 to 1996 she worked as Commercial Director in Italy Online S.p.A..

From 1996 to 2017 she covered various roles (from Marketing Director to Corporate Shared Value Manager) within the Telecom Italia Group.

Since March 2011 she has been a member of the Value Communication Committee D and since June 2016, she has been a member of the Executive Board of Value D.

Since July 2018, she has held the role of Chief Digital Officer within the San Donato Group.

She has been an Independent Director of the Issuer since April 24<sup>th</sup>, 2018.

### **Giuseppe Persano Adorno**

Graduated in Economics and Commerce, he is a Chartered Accountant and Statutory Auditor.

He is a tax and corporate consultant to companies - also on M&A operations - doing assistance in the field of: a) experts reports for assignment and processing; b) company evaluations, c) party technical consultancy, d) acquisition, merger, demerger and private equity transactions.

He covers various positions of supervision and control of SME companies in the industrial, commercial, services and financial sectors and in companies listed on the AIM market.

He is a Technical Office Consultant of the Court of Milan and he is a member of the Supervisory Body of hospital companies and statutory auditor of Foundations.

He is a member of Ned Community and of the Licensing Executive Society Italia (LES Italia).

He has been an Independent Director of the Issuer since April 24<sup>th</sup>, 2018.

### **Erwin Paul Walter Rauhe**

Graduated in Economics and Commerce, he covered different roles in the German Chemical Group BASF SE until the end of 2016 when he was Senior Vice-Chairman and Chairman of the Southern Europe Region.

He was Vice-Chairman of Federchimica until mid-2017, Vice-Chairman of Feique (Spanish chemical industry association), member of the Assolombarda Council and of various Confindustria committees. He currently works as Independent Director and member of the Control and Risk Committee of HERA SpA and is Chairman (without legal representation) of HERA Comm. S.r.l..

He is a Director of Eingenmann and Veronelli S.p.A. and member of the Nomination and Remuneration Committee of the same company. Moreover, he works as Independent Director of SOL S.p.A.

He is Chairman of the Italian-German Chamber of Commerce of Milan, Councilor of the German association of Chambers of Commerce and Industry of Berlin, Director of Executive Advocacy, a company specialized in consulting for top management.

He is Adjunct Professor at the Chair of IESE Business Strategy (University of Navarra - Spain).

He is a member of the Board of Directors of an industrial Start-up (AE Innova).

As Senior Advisor, he follows the investments in Italy of the Deutsche Beteiligung AG in Frankfurt. He has been an Independent Director of the Issuer since April 24<sup>th</sup>, 2018.

### **Angelo Zaccari**

Graduated in Political Science, he has a long experience in the energy sector (Oil, Gas and Electricity). From 1973 to 1997 he covered various roles in Mobil Oil from Refinery Scheduling Manager to Trading Manager.

From 1997 to 2006 he worked in the Edison Group first as General Manager of Edison Gas and then as Managing Director of Edison Energia. Subsequently, after a brief period as Director of Fuel Supply & Risk Management at Alitalia and Managing Director of Enia Energia, he took on various roles at Eni S.p.A. and, in particular from 2014 to 2017, he held the position of Chief Operating Officer Retail & Mid-Market Europe.

From January 2017 he is Chief Executive Officer of the company he founded (Full Scale Consulting SRLS), active in the field of energy consulting. He has been Independent Director of SITI B&T Group S.p.A. since 2019.

He has been an Independent Director of the Issuer since April 24<sup>th</sup>, 2018.

### **Margherita Zambon**

Graduated in Political Economy, after an experience at Montedison as analyst, in 1988 she joined the family company, Zambon Company, a chemical-pharmaceutical multinational company.

She is Chairman of Zambon Company S.p.A. and Director of the main companies of the group as well as the Zoè Foundation (Zambon Open Education).

She is also a Director of Secofind SIM S.p.A., a multifamily office for entrepreneurial families and institutional investors as well as Aquafil S.p.A., a company listed on the Italian Stock Exchange.

She is also a Director of the Scala Theater Foundation.

She has been a Non-Executive Director of the Issuer since April 24<sup>th</sup>, 2018.

The composition of the Board of Directors is indicated in the following table:

**STRUCTURE OF THE BOARD OF DIRECTORS**

Assignment	Name	Year of birth	Date of first appointment *	In office since	List **	Exec.	Non-exec.	Indep. by Code	Indep. by TUF	No. other assignments ***	(*)
<b>Chairman and Chief Executive Officer</b> ◇	BASILE Giorgio	1942	21.06.1994	24.04.2018	M	X				-	11/11
<b>Vice - Chairman</b> ●	BASILE Maurizio	1948	26.04.2006	24.04.2018	M	X				<b>I.R.B.M. Science Park S.r.l.</b> Chief Executive	11/11
<b>Director</b>	BASILE Riccardo	1979	05.08.2014	24.04.2018	M		X			-	9/11
<b>Director</b>	BONETTI Roberto	1973	24.04.2018	24.04.2018	M		X			-	11/11
<b>Director</b>	GHIA Enrica Maria	1969	28.04.2016	24.04.2018	M		X	X	X	<b>IREN S.p.A.</b> Independent Director	10/11
<b>Director</b>	LAZZARETTI Silvia	1969	24.04.2018	24.04.2018	M		X	X	X	-	11/11
<b>Director</b>	LOGLI Marcella Elvira Antonietta	1964	24.04.2018	24.04.2018	m		X	X	X		10/11
<b>Director</b>	PERSANO ADORNO Giuseppe	1965	24.04.2018	24.04.2018	M		X	X	X	<b>SPACTIV S.p.A.</b> Statutory Auditor- <b>ALISEI SIM S.p.A.</b> Board of Statutory Auditors Chairman	11/11
<b>Director</b> ○	RAUHE Erwin Paul Walter	1955	24.04.2018	24.04.2018	m		X	X	X	<b>HERA S.p.A.</b> <b>SOL S.p.A.</b> Independent Director	11/11
<b>Director</b>	ZACCARI Angelo	1953	24.04.2018	24.04.2018	m		X	X	X	-	11/11
<b>Director</b>	ZAMBON Margherita	1960	24.04.2018	24.04.2018	M		X			<b>Zambon Company S.p.A. (and Group companies)</b> Board of Director Chairman	9/11





<b>COMMITTEES STRUCTURE</b>					
<b>Name</b>	<b>Assignment</b>	<b>Control, Risk and Sustainability Committee</b>		<b>Nomination and Remuneration Committee (***)</b>	
		<b>(*)</b>	<b>(**)</b>	<b>(*)</b>	<b>(**)</b>
BASILE Giorgio	Chairman and Chief Executive Officer				
BASILE Maurizio	Vice-Chairman				
BASILE Riccardo	Director				
BONETTI Roberto	Director				
GHIA Enrica Maria	Director	9/9	M	4/4	M
LAZZERETTI Silvia	Director				
LOGLI Marcella Elvira Antonietta	Director	9/9	P		
PERSANO ADORNO Giuseppe	Director	9/9	M	4/4	M
RAUHE Erwin Paul Walter	Director				
ZACCARI Angelo	Director			4/4	P
ZAMBON Margherita	Director				
<b>DIRECTORS TERMINATING OFFICE DURING THE REPORTING PERIOD</b>					
<b>No. of meetings held in the reporting period</b>		9		4	

**NOTES**

(\*) This column indicates the attendance level of directors at committee meetings (expressed as the number of attended meetings compared to the total number of meetings which he/she could participate).

(\*\*) This column indicates the position of the director at the Committee: “C”: chairman; “M”: member.

(\*\*\*) The Board of Directors has established a single “Nomination and Remuneration Committee” (see paragraphs 7.0 and 8.0 of this Report).



No changes to the composition of the Board of Directors of the Issuer have occurred since the closing of the reporting year.

### **Diversity and criteria policies**

With regard to the diversity and criteria policies applied in relation to the composition of the administrative and control bodies, the issue is monitored as the composition of the Board of Directors and the Board of Statutory Auditors is adequately diversified by age, by gender and by educational and professional career, as well as by nationality, as can be seen from the above, as well as from the curricula.

In compliance with the provisions of application criterion 2.C.3. of the Code, a third of the Board of Directors consists of the least represented gender: 4 (four) female Directors out of a total of 11 (eleven) Directors.

In addition, as part of the Board Evaluation process carried out during the reference period, a rather high evaluation of the "diversity" emerged, demonstrating an almost unanimous opinion about the adequate composition of the above-mentioned bodies.

At this regard, the Board of Directors did not consider formalize the approval of a specific policy as necessary.

Finally, as regards the measures adopted to promote equal treatment and opportunities among genders within the entire company organization, in compliance with what is also defined in the Code of Ethics relating to the issue of human capital management, the Isagro Group is committed to ensuring that the working environment promotes equal opportunities and develops a culture focused on enhancing diversity.

To confirm this commitment, it should be noted that as at December 31<sup>st</sup>, 2019, the total number of employees of the Group is equal to n. 343 units and the presence of women is equal to n. 104 women, representing 30% of the total, of which n. 7 belonging to the professional category "officers/executives".

### **Maximum number of assignments in other companies**

Directors of the Issuer accept appointment to the Board when they believe they can dedicate the time necessary to perform their duties diligently, compatibly with the number and nature of other assignments they may hold. It is the practice of the Board to request disclosure from all its members of any offices they hold as directors or statutory auditors in other companies listed on regulated markets (also foreign), financial companies, banks, insurance companies or large companies as identified by criterion 1.C.2. of the Code.

In compliance with the recommendations of criterion 1.C.3. of the Code, the Board of Directors, by resolution carried on August 4<sup>th</sup>, 2015 and with the approval of the Board of Statutory Auditors, set a maximum number on the assignments that directors may hold compatibly with the diligent performance of the office of Company director, also taking into account Directors' participation in Board committees. The number of appointments that directors may hold as directors or statutory auditors in other companies listed on regulated markets (including foreign ones), financial companies, banks, insurance companies or large-sized companies is a total of 5 (five).

The current membership of the Board complies with the aforementioned criteria.

### ***Induction Programme***

The organisation and contents of Board of Directors' meetings, as well as the attendance of Committee meetings, guarantee constant updating of the directors and statutory auditors as regards the Company's performance and the reference market.

In addition, it should be noted that, following the setting up of the new Board of Directors appointed by the Shareholders' Meeting on April 24<sup>th</sup>, 2018, the Company organized, through a series of meetings with company representatives, specific induction sessions to the directors dedicated to illustrating the activities carried out by the Group and the peculiarities of the main corporate functions.

In addition, during the month of July 2019, following the establishment of the new Board of Statutory Auditors nominated by the Shareholders' Meeting on April 30<sup>th</sup>, 2019, the Company organized specific induction sessions related to the system of governance, to the activities carried out by the "Marketing & Sales", "Supply Chain", "Research & Development" and "Regulatory Affairs" functions.

Moreover, during the Board of Directors meetings the Chairman and Chief Executive Officer, provides to illustrate the main business issues to better understand the Company and the Group performance. He also provides Board members with continuous information about the main sector regulatory framework updates and their impact on the Company business. Also, regarding the principles of proper risk management, during the meetings of the Board of Directors, Chairman and Chief Executive Officer asks for further insights, if deemed appropriate, with the support of the Control, Risk and Sustainability Committee and of the Risk Manager.

Moreover, in accordance with the provisions of criterion 1.C.6. of the Code, upon Chairman invitation, certain Company's executives attend the Board meetings in order to provide appropriate supplemental information on the items on the Board agenda.

### **4.3 ROLE OF THE BOARD OF DIRECTORS (pursuant to article 123-bis, paragraph 2d), TUF)**

During 2019, 11 (eleven) meetings of the Board of Directors of the Issuer were held. The average duration of the Board meetings was approximately four hours.

For the exercise 2020 at least 8 (eight) meetings are planned, 6 (six) of which were already held on February 11<sup>th</sup>, February 27<sup>th</sup>, March 12<sup>th</sup>, April 15<sup>th</sup>, April 28<sup>th</sup> and May 6<sup>th</sup>, 2020.

The promptness and completeness of pre-meeting information are guaranteed by the Corporate & General Affairs department of the Company, which in coordination with and supported by the company departments concerned, ensures all necessary documents are prepared as required for discussion of the items on the agenda. Transmission of these documents to Directors and Statutory Auditors is arranged by the Secretary of the Board of Directors, who takes care to prepare them reasonably in advance before the meeting date, also taking into account any confidentiality and urgency requirements in connection with certain topics.

Starting from September 2019, the Company is making use of a virtual platform to share documents with Directors and Statutory Auditors according to the pre-Board information (Virtual Boardroom

platform of DiliTrust Exec.) which assures high standards of confidentiality and security for documents transmission. The Board considers that, in most cases, the documentation on items on the agenda has to be transmitted to Directors and Statutory Auditors at least 2 (two) business days before the meeting date. Complex documents or those relating to significant transactions must be sent at least 3 (three) business days before the meeting date.

The Board considers that these criteria were normally complied with during the year ended December 31<sup>st</sup>, 2019. In case, for organisational or confidentiality reasons, it is not possible or appropriate to transmit documentation before the meeting date in accordance with the above deadlines, the documents are handed out at the meeting itself, while in other cases the information must be supplemented during the board meeting.

In addition, the Chairman of the Board of Directors ensures that time for discussion of the agenda topics' is sufficient to allow constructive debate and, during the meetings, encourages contributions from Directors.

As standard practice, persons external to the Board are invited to the Board of Directors' meetings, in particular Executives and/or Managers of Company departments with specific responsibilities and skills on issues discussed by the Board of Directors, in compliance with the provisions of criterion 1.C.6. of the Corporate Governance Code.

In this regard, it is noted that the following managers are invited to take part to Board of Directors meetings: the General Manager<sup>5</sup>, the Chief Financial Officer, the Group Director Administration, the Group Director Marketing & Sales, the Group Director Human Resources & Communication, the Internal Audit Manager, the ICT Manager, the Q&HSE Manager and Risk Manager, the Data Protection Officer and the General & Corporate Affairs Manager (also as Board Secretary).

### ***Role of the Board of Directors***

Pursuant to article 21 of the Company's Articles of Association, the Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the Company, without exception of any kind, and has the power to carry out all actions necessary to reach the corporate objectives, with the exception of those powers identified by law to reside with the Shareholders' Meeting.

More specifically, in accordance with criterion 1.C.1. of the Code, the duties of the Board of Directors are as follows:

- a) examine and approve the strategic, industrial and financial plans of both the Issuer and the Group, periodically monitoring the related implementation; it defines the Issuer's corporate governance and the structure of the Group;
- b) define the nature and level of risk compatible with the Issuer's strategic objectives including the assessment of all risks that can be relevant for the medium and long-term sustainability of the Issuer;

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<sup>5</sup> The General Manager, Davide Ceper, was in charge of the Company until November 17<sup>th</sup>, 2019 (date of his resignation).

- c) evaluate the adequacy of the organisational, administrative and accounting structure of the Issuer as well as of its subsidiaries of strategic importance with particular reference to the system of internal control and risk management;
- d) specify the frequency, in any case no less than one every three months, with which the delegated bodies must report to the Board on the activities carried out in the exercise of the powers delegated to them;
- e) evaluate the general performance of the Company, paying particular attention to the information received from the delegated bodies and periodically comparing the results achieved with those planned;
- f) resolve upon transactions to be carried out by the Issuer or its controlled companies having a significant impact on the Issuer's strategies, profitability, assets and liabilities or financial position;
- g) perform at least annually an evaluation of the performance of the Board of Directors and its Committees, as well as their size and composition, also taking into account the professional competence, experience (including managerial experience) and the gender and seniority in office of its members, also in relation to the diversity criteria referred to in art. 2.;
- h) taking into account the outcome of the evaluation mentioned under the previous item (vii), report its view to shareholders on the managerial and professional profiles deemed appropriate for the composition of the Board of Directors, prior to its nomination, also in relation to the diversity criteria referred to in art. 2.;
- i) provide information in the Corporate Governance Report as set forth in the Code;
- j) in order to ensure the correct handling of corporate information, adopt, upon proposal of the Chairman of the Board of Directors, a procedure for the internal handling and disclosure to third parties of documents and information concerning the Issuer, having special regard to price sensitive information.

In 2019, the Issuer's Board of Directors conducted the following activities:

- examined and approved the strategic, industrial and financial plans of the Issuer and of the Group, the corporate governance system of the Issuer and the Group structure. In particular, on January 15<sup>th</sup>, 2019 approved the Business Plan 2019-2023 and, on an ongoing basis during next meetings, evaluated the updating of the strategic business model of Isagro referring to the operation of the sale of the subsidiary Isagro Asia; it also assessed the general operating performance on a quarterly basis, taking into particular consideration the information received from the delegated bodies, and periodic comparison of the results achieved against the Budget and Business Plan objectives;

- during the Board meeting of February 28<sup>th</sup>, 2019, the anti-corruption Code of Conduct has been approved;
- on March 13<sup>th</sup>, 2019, the Board of Directors approved the draft of Financial Statements of Isagro S.p.A. as at December 31<sup>st</sup>, 2018 and the Isagro Group Consolidated Financial Statements as at December 31<sup>st</sup>, 2018 with the related Directors' Management Reports and Notes to the Financial Statements; at the same date, it also approved the impairment tests executed in compliance with IAS 36 International Accounting Standard (also on the basis of technical-scientific and financial-economic evaluations carried out by independent consultants nominated following the Board resolution of January 15<sup>th</sup>, 2019);
- at the same meeting March 13<sup>th</sup>, 2019, the Board of Directors approved the " Consolidated Non-Financial Statement - year 2018" pursuant to EU Directive 2014/95, the "Report on Corporate Governance and Ownership Structures", pursuant to art. 123-bis of Legislative Decree no. 58/1998 and the "Remuneration Report", with the relative tables, pursuant to art. 123-ter of Legislative Decree no. 98/1998;
- again on March 13<sup>th</sup>, 2019, with the support of the Control, Risk and Sustainability Committee, assessed the substantial adequacy of the internal control and risk management system, at the same time evaluating the activities performed within the risk management process; again on March 13<sup>th</sup>, 2019 it took note of the periodical activities Report carried out by the Supervisory Body;
- during the same meeting, it assessed the existence of the independence requisites required by art. 3.P.2. of the Corporate Governance Code for the Independent Directors of the Issuer, approving at the same time the text of the press release, containing the outcome of the assessment, to be transmitted to the Italian Stock Exchange according to the methods and terms provided for by the current legislation; during the meeting of May 8<sup>th</sup>, 2019 it took note of the possession of the independence requirements of the members of the Board of Statutory Auditors appointed by the Shareholders' Meeting on April 30<sup>th</sup>, 2019, as required by the article 148, comma 3 of the Legislative Decree no. 58/1998;
- on July 31<sup>st</sup>, 2019, it approved the settlement agreement between Gowan, Isagro and Piemme which refers, as per the sole Isagro: (i) to the distribution contracts in force with Gowan and (ii) to the arbitration in Italy among Isagro and the related party Gowan according to the article 3.1 of the "Procedure for regulating Transactions with Related Parties";
- on July 31<sup>st</sup>, 2019, it took notice of the periodical Reports on the performed activities of DPO of the Company (as per EU Regulation 2016/679) and of "ICT Information Technology" function;
- on September 12<sup>th</sup>, 2019, it approved the updated version of the Procedure for managing relevant and privileged information and of the Internal Dealing Procedure, according to the Regulation no. 594/2016 and related executive regulations as well as the current national laws and regulations;

- evaluated and approved, according to the by-laws (art. 21), the transactions of significant strategic, economic, patrimonial and financial importance concluded during the year 2019 from the Issuer and its subsidiaries;
- continuously evaluated the adequacy of the organizational structure of the Issuer and its subsidiaries having strategic relevance as well as its administrative and accounting system constantly receiving information both on main organizational variations and on administrative and accounting principles used; in particular, within such activities, the Board, during the exercise, took notice of the exit of several professionals (among which, in particular, that one of the General Manager, on November 18<sup>th</sup>, 2019) and gave new powers and proxies following the changes of the organizational structure;
- on November 14<sup>th</sup>, 2019, it approved the assigned budget of the Manager in Charge ex art. 154-bis of the Legislative Decree no. 58/1998, in compliance of the provisions of the law and the by-laws; moreover it deliberated regarding an annual budget assignment for the Supervisory Body, for the Risk and Sustainability Control Committee, for the Nomination and Remuneration Committee and for the Company's Responsible of the Internal Audit function;
- during the exercise it approved the transactions aimed to obtain the needed medium/long-term bank loans;
- with regard to the self-evaluation process, the Board deemed appropriate to carry out an evaluation of the functioning of the same and of the Committees covering the financial years 2018 (starting from the month of April) and 2019, according to the renewal of the Executive Body nominated by the Shareholders' Meeting of April 24<sup>th</sup>, 2018; the activities started on November 14<sup>th</sup>, 2018 and stopped on November 2019.

The process of the Board Evaluation was conducted through the preparation (Corporate & General Affairs and Internal Audit functions took care of it) of a detailed self-evaluation form duly filled in an anonymously way by each member of the Board and visible on the digital platform named BoardRoom Dilitrust Exec. and divided in four areas related to the Board and to the Committees (Structure, Role, Processes and Functioning). The above-mentioned Company's functions took care of the contents and results with the supervision of the Nomination and Remuneration Committee. The results of the process (substantially positives according to the previous self-evaluation process) have been presented and examined during the meeting of February 11<sup>th</sup>, 2020. At the end of the exam, the Board judged useful and well done the process of self-evaluation taking care to identify those actions to improve it in line with the indications and considerations raised.

To be noted that, based on the revenues generated during the exercise 2019, the subsidiary Isagro (Asia) Agrochemicals Pvt. Ltd. has been identified as a strategic company (no longer inside Isagro Group starting from December 27<sup>th</sup>, 2019 as said above).

With regard to criterion 1.C.4. of the Code, we report that in 2019 the Shareholders' Meeting of the Issuer did not adopt any resolution entailing exception to the non-competition clause envisaged in article 2390 of the Italian Civil Code.

## 4.4 EXECUTIVE OFFICERS

### Chief Executive Officers

In accordance with article 17 of the Articles of Association, the Board of Directors may delegate its powers to an Executive Committee formed of some of its members, or to one or more of its own members, setting the limits of such powers at the time of the appointment, in compliance with the limits set forth in article 2381 of the Italian Civil Code.

The Board of Directors may also appoint directors, administrators, *ad negotia* and *ad litem* attorneys, and representatives in general to perform certain acts or categories of acts.

The Chairman of the Board of Directors and the Chief Executive Officers, when appointed, are vested with disjoined signatory powers and the power to represent the Company before third parties and the courts, including the power to file legal and administrative actions at all levels of jurisdiction.

In accordance with the Articles of Association, the Company may be legally represented by non-directors appointed by the Board of Directors within the limits and for the exercise of its powers.

The Chairman of the Board of Directors, Giorgio Basile, holds the office of *Chief Executive Officer* (C.E.O.).

We highlight that, as recommended by criterion 2.C.6. of the Corporate Governance Code, there are no interlocking directorate positions.

### Chairman of the Board of Directors

On May 2<sup>th</sup>, 2018, the Board of Directors of the Issuer vested the Company's Chairman and Chief Executive Officer with the necessary powers to represent the Company by means of a separate and disjoined signature, within the limits of the assigned powers. The reason for assigning these operating powers to the Chairman of the Board lies in consideration of the fact that he is one of the key figures that has made an important contribution to the Group's development, given his long-time experience in the Group's business sector and the significant role he has played in managing the Issuer's activities makes him an important resource. The potential risks arising from plurality of the two offices of Chairman and Chief Executive Officer are mitigated by the presence of the Lead Independent Director, reference to which is made in section 4.7 of this Report.

The Board of Directors delegated the legal representation of the Company with third parties and the courts to the Chairman and Chief Executive Officer, Giorgio Basile, along with the following powers for ordinary management of the Company, freely exercisable by separate signature (unless established otherwise), specifying that for the purpose of the following powers those of the *General Manager*, the *Chief Financial Officer* and the *Group Directors* of the Company are to be considered 2<sup>nd</sup> level as defined internally:

- a) to appear and represent the Company before Ministries, Chambers of Commerce, Social

Security and Insurance Institutions, Tax Authority and other entities, and file, negotiate and settle disputes, claims and business of any kind concerning the Company;

- b) to represent the Company in performing all acts necessary for the safeguarding, protection, performance of obligations and acquisition of Company rights, including therein claims for the recovery of goods and statements, appeals and applications lodged with Credit Institutions, administrative, financial and judicial authorities of any kind and level, also with regard to foreign exchange and taxation matters; to negotiate settlements relating to disputes with public entities and offices, including the Registrar's Office and Tax Offices, and present cases before tax commissions of all levels, with the power to negotiate settlements on tax matters and file for tax refunds and refunds of contributions paid for any reason by the Company, with the power to collect and acknowledge receipt;
- c) to sign in the name of, and on behalf of the Company applications filed with State, Regional and Local or any other Public Offices for authorisations, licences and permits, signing any document requested and accepting the obligations and conditions attached to said authorisations, licences and permits, and performing all acts and transactions necessary for this purpose; to forfeit any concessions, authorisations and licences granted; to submit and comply with any application with state and local entities aimed at obtaining tax concessions and subsidies envisaged by state laws and undertake relative commitments;
- d) to authorise registrations with or cancellations from the Public Automobile Register, exonerating registrars from all liability;
- e) to withdraw money from banks by means of a separate signature up to the amount of € 1,500,000 (one million and five hundred thousand) and a joint 2<sup>nd</sup> level signature for amounts between € 1,500,000 (one million and five hundred thousand) and € 3,000,000 (three million) for each transaction, all within the limit of bank credit lines, in the form of cheques, money orders and bank transfers also to third parties; to deposit bank cheques or non-bank cheques; to give power to banks to arrange the discounting, collection and/or clearance of promissory notes, bills of exchange, cash orders, money orders and similar;
- f) to execute any banking transaction regarding advances on cash orders and invoices issued by Italian and foreign customers, as well as advances on payments due to foreign suppliers, transfers of funds across each Company's bank accounts, and transfers of funds between the several banks;
- g) to request the release of guarantees to Credit Institutes for and on behalf of the Company for up to € 1,000,000 (one million) by means of separate signature, for amounts exceeding € 1,000,000 (one million) and up to € 4,000,000 (four million) by a joint 2<sup>nd</sup> level signature for each transaction;
- h) to request and to obtain from banks, Credit Institutions and from financial companies and entities, ordinary and umbrella lines of credit by means of a separate signature up to € 20,000,000 (twenty million). These transactions must be communicated to the Board of Directors;
- i) to request and to obtain from Credit Institutions and/or factoring companies, factoring facilities by means of a separate signature up to € 30,000,000 (thirty million), including the execution of any related contracts, credit transfer, pledges, collection orders, and in general



all else related to factoring, all with promise of full ratification and approval, also in regard to transactions already executed, with no exception whatsoever and relieving Credit Institutions and/or factoring companies of any related liability. It is understood that the maximum amount for each factoring transaction is considered added to the amount of ordinary and umbrella lines of credit. These transactions must be communicated to the Board of Directors;

- j) to assign all powers to assume, grant, amend and extinguish contracts covering any form of financing involving Company's subsidiaries and/or related companies, and to release guarantees, including letters of guarantee, declarations of payment and letters of patronage in the interest of Company's subsidiaries and/or associates pursuant to article 2359 of the Italian Civil Code and within the limit of the line of credit granted by each individual Credit Institution. These transactions must be communicated to the Board of Directors;
- k) to assign any power to assume, grant, amend and extinguish collateral in any form as part of transactions carried out in exercising the powers granted. These transactions must be communicated to the Board of Directors;
- l) to start or end relations with banks and Credit Institutes by opening bank and post office current accounts;
- m) to execute exchange rate, interest rate and commodity price hedges and repurchase agreements by means of a separate signature up to € 5,000,000 (five million) and a joint 2<sup>nd</sup> level signature for amounts exceeding € 5,000,000 (five million) for each transaction;
- n) to secure the provision of basic services to the Company, such as power supply, telephone and telex services, etc. and to sign the related contracts and doing what is necessary for this purpose;
- o) to enter into, sign, transfer and terminate insurance policies against fire, public liability, theft, credit and country risks involving Italian and foreign customers, as well as any other risk which it is considered the Company should be protected;
- p) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering the purchase or sale of goods, products, registered movables not recorded in Public Records, machinery and other equipment, as well as the provision of services for purposes relating to company business by means of a separate signature up to € 1,500,000 (one million and five hundred thousand) and a joint 2<sup>nd</sup> level signature for amounts exceeding € 1,500,000 (one million and five hundred thousand) for each transaction;
- q) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering the purchase or sale of buildings, equity investments and intangible assets by means of a separate signature up to € 1,500,000 (one million and five hundred thousand) and a joint 2<sup>nd</sup> level signature for amounts exceeding € 1,500,000 (one million and five hundred thousand) for each transaction, provided that they do not exceed 20% of the Company's shareholder's equity. If necessary, to enter into confidentiality agreements as regards intangibles;
- r) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering the purchase, sale or licensing of trademarks, patents, industrial,

- utility and design patents, technical processes, intellectual property and know-how by separate signature up to € 1,000,000 (one million) and joint 2<sup>nd</sup> level signature for amounts exceeding € 1,000,000 (one million) for each transaction;
- s) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering the distribution of goods and products;
  - t) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering contract work payable or receivable;
  - u) to submit a tender for contracts with Ministries, Public Administrations, Public and private Entities in Italy and abroad covering the provision of goods and services, and, in the event of award of contract, to execute the related contracts;
  - v) to grant discounts or deductions in regard to commercial transactions by means of a separate signature up to € 500,000 (five hundred thousand) and a joint 2<sup>nd</sup> level signature for amounts exceeding € 500,000 (five hundred thousand) for each transaction;
  - w) to sign and to withdraw currency statements (currency declarations relating to current commercial and non-commercial transactions - regarding the movement of goods - and financial transactions) with or without regulation, as well as any other statement concerning regulations for the compensation of obligations between residents and non-residents; to sign and to endorse invoices, goods circulation certificates, applications and statements necessary to carry out the aforementioned transactions, including declarations for the transfer of goods within the EU;
  - x) to collect any amount due to the Company by natural persons or legal entities, and to give valid receipts; to transfer, discount and accept drafts and promissory notes issued by customers in the interest of the Company, or transferred to the Company; to accept or transfer to the third parties delegations in order to provide payments to issue promissory notes and bills of exchange in favour of third parties for up to € 250,000 (two hundred and fifty thousand) per transaction with separate signature, and up to € 2,000,000 (two million) per transaction with joint signature with the Company's Vice-Chairman. Such transactions must be reported to the Board of Directors;
  - y) to appoint and/or to revoke the appointment of special and ordinary attorneys for executing one or more acts or categories of acts, specifying the powers granted to them;
  - z) to hire Company staff, determining their wages and salaries, to sign employment contracts, to dismiss or suspend employees, to appoint and dismiss agents, determining their commissions, to sign contracts with outside professionals concerning professional performances.

### **Executive Committee (pursuant to article 123-bis, paragraph 2d), TUF)**

The Board of Directors of the Issuer has not established an Executive Committee.

## Information to the Board

The Board evaluates the general performance of the Company taking into consideration, in particular, the information received from the Chief Executive Officer and periodically comparing the results achieved with those planned.

Specifically, at each Board of Directors' meeting and at least once every quarter:

- the Chief Executive Officer or other directors assigned special powers, provide suitable reports to the Board of Directors and Board of Statutory Auditors on the exercise of such powers;
- the Chief Executive Officer reports on general business performance and outlook, on the most significant transactions in economic, financial and equity terms performed by the Company and its subsidiaries, as well as on transactions concerning potential conflict of interest.

During the year, to offer directors a better understanding of corporate dynamics and events, certain Company managers were invited to attend meetings of the Board of Directors, Control, Risk and Sustainability Committee, Nomination and Remuneration Committee and Board of Statutory Auditors.

## 4.5 OTHER EXECUTIVE DIRECTORS

Alongside the Chairman and CEO, discussed in the previous section, the following Executive Director is responsible for executive offices of the Issuer.

**Maurizio Basile**, in his role as Vice-Chairman of the Issuer with responsibility for the areas of Administration, Finance and Control and Human Resources and Communication, on May 2<sup>nd</sup>, 2018, subsequently integrated November 14<sup>th</sup>, 2018, received from the Board, in addition to the legal representation of the Company with third parties and the courts, the following powers for ordinary management of the Company, to be freely exercised by means of a separate signature (unless established otherwise), specifying that for the purpose of the following powers those of General Manager, the Chief Financial Officer and the Company Group Directors are to be considered 2<sup>nd</sup> level as defined each time internally:

- a) to appear and represent the Company before Ministries, Chambers of Commerce, Social Security and Insurance Institutions, Tax Authority and other entities, and file, negotiate and settle disputes, claims and business of any kind concerning the Company;
- b) to represent the Company in performing all acts necessary for the safeguarding, protection, performance of obligations and acquisition of Company rights, including therein claims for the recovery of goods and statements, appeals and applications lodged with Credit Institutions, administrative, financial and judicial authorities of any kind and level, also with regard to foreign exchange and taxation matters; to negotiate settlements relating to disputes with public entities and offices, including the Registrar's Office and Tax Offices, and present cases before tax commissions of all levels, with the power to negotiate settlements

on tax matters and file for tax refunds and refunds of contributions paid for any reason by the Company, with the power to collect and acknowledge receipt;

- c) to sign in the name of, and on behalf of the Company applications filed with State, Regional and Local or any other public offices for authorisations, licences and permits, signing any document requested and accepting the obligations and conditions attached to said authorisations, licences and permits, and performing all acts and transactions necessary for this purpose; to forfeit any concessions, authorisations and licences granted; to submit and comply with any application with state and local entities aimed at obtaining tax concessions and subsidies envisaged by state laws and undertake relative commitments; to authorise registrations with or cancellations from the Public Automobile Register, exonerating registrars from all liability;
- d) to withdraw money from banks by means of a separate signature up to the amount of € 1,500,000 (one million and five hundred thousand) and a joint 2<sup>nd</sup> level signature for amounts between € 1,500,000 (one million and five hundred thousand) and € 3,000,000 (three million) for each transaction, all within the limit of bank credit lines, in the form of cheques, money orders and bank transfers also to third parties; to deposit bank cheques or non-bank cheques; to give power to banks to arrange the discounting, collection and/or clearance of promissory notes, bills of exchange, cash orders, money orders and similar;
- e) to execute any banking transaction regarding advances on cash orders and invoices issued by Italian and foreign customers, as well as advances on payments due to foreign suppliers, transfers of funds across each Company's bank accounts, and transfers of funds between the several banks;
- f) to request the release of guarantees to Credit Institutions for and on behalf of the Company for up to € 1,000,000 (one million) by means of separate signature, for amounts exceeding € 1,000,000 (one million) and up to € 4,000,000 (four million) by a joint 2<sup>nd</sup> level signature for each transaction;
- g) to request and to obtain from Credit Institutions and/or factoring companies, factoring facilities by means of a separate signature up to € 30,000,000 (thirty million), including the execution of any related contracts, credit transfer, pledges, collection orders, and in general all else related to factoring, all with promise of full ratification and approval, also in regard to transactions already executed, with no exception whatsoever and relieving Credit Institutions and/or factoring companies of any related liability. It is understood that the maximum amount for each factoring transaction is considered added to the amount of ordinary and umbrella lines of credit. These transactions must be communicated to the Board of Directors;
- h) to assign all powers to assume, grant, amend and extinguish contracts covering any form of financing involving Company's subsidiaries and/or related companies, and to release guarantees, including letters of guarantee, declarations of payment and letters of patronage in the interest of Company's subsidiaries and/or associates pursuant to article 2359 of the Italian Civil Code and within the limit of the line of credit granted by each individual credit institution. These transactions must be communicated to the Board of Directors;
- i) to assign any power to assume, grant, amend and extinguish collateral in any form as part

of transactions carried out in exercising the powers granted. These transactions must be communicated to the Board of Directors;

- j) to start or end relations with banks and Credit Institutes by opening bank and post office current accounts;
- k) to execute exchange rate, interest rate and commodity price hedges and repurchase agreements by means of a separate signature up to € 15,000,000 (fifteen million) and a joint 2<sup>nd</sup> level signature for amounts exceeding € 15,000,000 (fifteen million) for each transaction;
- l) to secure the provision of basic services to the Company, such as power supply, telephone and telex services, etc. and to sign the related contracts;
- m) to enter into, sign, transfer and terminate insurance policies against fire, public liability, theft, credit and country risks involving Italian and foreign customers, as well as any other risk which it is considered the Company should be protected;
- n) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering the purchase or sale of goods, products, registered movables and recorded in Public Records, machinery and other equipment, as well as the provision of services for purposes relating to Company business by means of a separate signature up to € 1,500,000 (one million and five hundred thousand) and a joint 2<sup>nd</sup> level signature for amounts exceeding € 1,500,000 (one million and five hundred thousand) for each transaction;
- o) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering the purchase or sale of buildings, equity investments and intangible assets by means of a separate signature up to € 1,500,000 (one million and five hundred thousand) and a joint 2<sup>nd</sup> level signature for amounts exceeding € 1,500,000 (one million and five hundred thousand) for each transaction, provided that they do not exceed 20% of the Company's shareholder's equity. If necessary, to enter into confidentiality agreements as regards intangibles;
- p) to enter into, amend and terminate, with all appropriate clauses including an arbitration clause, contracts covering the purchase, sale or licensing of trademarks, patents, industrial, utility and design patents, technical processes, intellectual property and know-how by separate signature up to € 1,000,000 (one million) and joint 2<sup>nd</sup> level signature for amounts exceeding € 1,000,000 (one million) for each transaction;
- q) to submit a tender for contracts with Ministries, Public Administrations, Public and private Entities in Italy and abroad covering the provision of goods and services, and, in the event of award of contract, to execute the related contracts;
- r) to grant discounts or deductions in regard to commercial transactions by means of a separate signature up to € 500,000 (five hundred thousand) and a joint 2<sup>nd</sup> level signature for amounts exceeding € 500,000 (five hundred thousand) for each transaction;
- s) to sign and to withdraw currency statements (currency declarations relating to current commercial and non-commercial transactions - regarding the movement of goods - and financial transactions) with or without regulation, as well as any other statement concerning

regulations for the compensation of obligations between residents and non-residents; to sign and to endorse invoices, goods circulation certificates, applications and statements necessary to carry out the aforementioned transactions, including declarations for the transfer of goods within the EU;

- t) to collect any amount due to the Company by natural persons or legal entities, and to give valid receipts; to transfer, discount and accept drafts and promissory notes issued by customers in the interest of the Company, or transferred to the Company; to accept or transfer to the third parties delegations in order to provide payment to issue promissory notes and bills of exchange in favour of third parties for up to € 250,000 (two hundred and fifty thousand) per transaction with separate signature, and up to € 2,000,000 (two million) per transaction with joint signature with the Company's Chairman. Such transactions must be reported to the Board of Directors;
- u) to hire Company staff, determining their wages and salaries, to sign employment contracts, to dismiss or suspend employees, (including persons in managerial roles), signing any inherent deed or document, including declarations relating to the salary or personal data of the personnel, the necessary deeds and documents relating to the training of workers and the training and orientation reports, supply, work, professional services and general services with private individuals;
- v) to represent the Company in conciliations in trade unions resulting from disputes relating to labour relations and in the related proceedings before the judicial authority (including the Justice of the Peace), with the right to sub-delegate;
- w) to sign contracts with outside professionals concerning professional performances; appoint and dismiss agents, determining their commissions;
- x) to sign the correspondence, declarations and any act or document relating to the objects referred to in this mandate, in the context and for the exercise of the powers attributed herein;
- y) to appoint and/or to revoke special and ordinary attorneys for single deeds and/or categories of deeds with specific powers granted to them.

#### **4.6 INDEPENDENT DIRECTORS**

The Board of Directors, with reference to each Board member and on an annual basis, performs an assessment on the possession of independence requisites, also based on information provided by the directors, and discloses the results to the market.

We highlight that 5 (five) non-executive directors, namely Enrica Maria Ghia Marcella Elvira Logli, Erwin Paul Walter Rauhe, Giuseppe Persano Adorno e Angelo Zaccari, are qualified as 'independent' directors in accordance with article 3 of the Corporate Governance Code and article 144-*novies* of the Consob Regulation on Issuers.

The independence of the independent directors was assessed by the Board of Directors during the meeting of May 2<sup>nd</sup>, 2018, following their appointment at the Shareholders' Meeting of April 24<sup>th</sup>,

2018 and, later, on the meeting of February 28<sup>th</sup>, 2019.

In performing its assessment as to whether independence requirements were met, the Board of Directors applied all the criteria envisaged in the Code.

The persisting characteristics of independence for the directors was verified by the Board of Directors of the Issuer, adopting the parameters of article 3 of the Code and duly disclosed to the market, during the meeting of February 11<sup>th</sup>, 2020 based on the declarations made by the individuals concerned supported by related documents.

In accordance with criterion 3.C.5. of the Code, after the Board of Directors' verifications, the Board of Statutory Auditors confirmed the correct application of the procedures adopted by the Board of Directors for assessing the independence of its members. The results of these verifications are described in the Board of Statutory Auditor's Report to the Shareholders Meeting.

In 2019 the independent directors met 3 (three) times, in the absence of the other directors and coordinated by the Lead Independent Director, mainly to assess and analyze the following matters:

- examination of the proposed appointment of an Executive Committee;
- approval (through the issue of a specific opinion) of the transaction regarding the settlement agreement between Gowan and Isagro/Piemme referring to the sole Isagro (i) the distribution contracts in force with Gowan and (ii) the arbitration in Italy between Isagro and the related party Gowan, according to the art. 3.1 of the "Procedure for regulating Transactions with Related Parties";
- examination of the transaction of the sale of the subsidiary Isagro Asia;
- examination of the internal dealing communications.

It should be emphasized that the directors, qualified as independent, are committed through declarations signed by each one to promptly inform the Board if any situation arises that inhibits their office and about any change to the aforementioned declarations during their term of office.

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

In accordance with criterion 2.C.4. of the Corporate Governance Code, considering that the plurality of offices of the Chairman of the Board of Directors and CEO are held by the Executive Director, Giorgio Basile, the Board of Directors, by resolution of May 2<sup>nd</sup>, 2018, appointed the independent director Erwin Paul Walter Rauhe as Lead Independent Director.

This decision stems from the need to identify the Lead Independent Director, pursuant to criterion 2.C.5. of the Corporate Governance Code, as a point of reference and coordination for the issues and contributions of non-executive directors, having regard to those of independent directors. The Lead Independent Director co-operates with the Chairman to guarantee that the directors receive full and prompt information. The Lead Independent Director is also vested with the power, either independently or at the request of other Board Members, to call special meetings of sole independent directors in



order to discuss issues judged to be of interest with respect to the functions of the Board of Directors or to the management of the Company.

With reference to the main activities carried out by the Lead Independent Director refer to the previous paragraph.

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## 5.0 TREATMENT OF CORPORATE INFORMATION

On September 12<sup>th</sup>, 2019, the Board of Directors of the Company approved the updated version<sup>6</sup> of the Company's "Internal Dealing Code" (this document is available on the Company website [www.isagro.com](http://www.isagro.com), in the corporate governance/codes and procedures section), pursuant to article 114, paragraph 7, TUF, to European directives on "Market Abuse" and to the articles set forth in Part III, Title VII, Chapter II of Consob Regulation no. 11971/1999, as subsequently amended (so-called "Consob Issuers' Regulation").

The Internal Dealing Code was introduced with the aim of regulating the disclosure and conduct obligations that must be respected by "relevant parties" and their "closely linked individuals" with regard to all transactions made by them on the listed financial instruments of Isagro S.p.A. in order to improve transparency and informative homogeneity with regard to the market.

During 2019 the Company complied with obligations provided by the Regulation for markets organised and managed by the Italian Stock Exchange in the public disclosure of confidential information via the SDIR-NIS system managed by BIT Market Services S.p.A.. At the same time, for the storage of regulated information, mandatory since 2014, the Company adopted the centralized storage mechanism, called "Info", available at [www.computershare.it](http://www.computershare.it), managed by Computershare S.p.A., a company authorized by Consob. It is hereby given that, on the approval date of this Report, the Company uses the SDIR-NIS system also for the storage of regulated information.

In accordance with the provisions of criterion 1.C.1. j) of the Corporate Governance Code, at the meeting of December 13<sup>th</sup>, 2006 the Isagro S.p.A. Board of Directors approved the "Internal regulations for the management and treatment of confidential information and for the external communication of documents and information", updated to its new version at the meeting of August 4<sup>th</sup>, 2016 (this document is available on the Company website [www.isagro.com](http://www.isagro.com) - governance section/codes and procedures).

The aim of this Regulation is to define the terms and procedures for the market disclosure of Issuer's price sensitive information and at the same time establish adequate and specific control principles in order to prevent the commission of corporate "Market Abuse" offences.

In particular, the updated versions of the Procedure "Internal Dealing" and of the "Internal Regulation for the management and treatment of the confidential information and for the outside communication of documents and information" include the regulatory changes introduced from the coming in force of

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<sup>6</sup> The first version of the Internal Dealing Code dates back to the document approved by the Board of Directors on October 13<sup>th</sup>, 2003.



the European Regulation no. 594/2016 and related executive regulations as well as current regulatory provisions and national rules in terms of market abuses (“Market Abuse Regulation” or shortly named “MAR”).

Moreover, in compliance with the guide lines for the management of the privileged information adopted by Consob in October 2017, on September 12<sup>th</sup>, 2019, the President of the Board approved the internal regulation to discipline the “Insider List” (list of names of all persons with access to the Privileged Information issued by the Company according to the art. 18 of MAR) and of the “Relevant Information List” (list of names of all persons with access to the Relevant Information issued by the Company according to the indications included in the Guide Lines).

The Corporate & General Affairs Manager is responsible for keeping, managing and updating the Register.

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## **6.0 INTERNAL BOARD COMMITTEES (pursuant to article 123- bis, paragraph 2d), TUF)**

The Board of Directors can establish internal committees consisting of Board members, which provide consulting support and submit proposals, setting the number of committee members and their duties and responsibilities, in accordance with laws in force governing companies listed on regulated markets.

The Board has established two internal committees: the “Nomination and Remuneration Committee” and the “Control, Risk and Sustainability Committee”. We highlight that, pursuant to criterion 4.C.1., paragraph c), the Board resolved to establish a single “Nomination and Remuneration Committee”, composed of independent directors. This approach is justified by the Company’s organisational necessity to group together the duties assigned to committees provided by the Code, in compliance with the rules on their membership, and the need for flexibility, also taking into consideration the size of the Board of Directors.

The functions of the above-mentioned committees are distributed in compliance with the Code.

It should be emphasised that, under the coordination of the Chairman, no responsibility for one or more committees is reserved to the Board of Directors.

Other committees not contemplated in the aforementioned Code have not been established, except for the “Committee of Independent Directors”, set up to perform the tasks indicated in the “Procedure for managing transactions with related parties” pursuant to Consob Resolution no. 17221 of March 12<sup>th</sup>, 2010 and subsequent amendments.

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## 7.0 NOMINATION COMMITTEE

### **Composition and duties of the Nomination Committee (pursuant to article 123-bis, paragraph 2d), TUF)**

This Committee was set up with appointment of the Board of Directors on May 2<sup>nd</sup>, 2018 which also served as the Remuneration Committee. The Committee, in compliance with the provisions of principle 6.P.3. and by criterion 4.C.1. lett. a) of the Code, is composed of 3(three) independent directors, Angelo Zaccari (Chairman), Enrica Maria Ghia and Giuseppe Persano Adorno.

In 2019, the Committee held 4 (four) meetings and, in 2020, it plans at least 4 (four) meetings, of which 3 (three) already held on February 11<sup>th</sup>, March 12<sup>th</sup> and April 21<sup>st</sup>, 2020; the average duration of the meetings has been approximately one hour, attended by all members.

In addition to its own members, Committee meetings are also attended by other persons against invitation of the Committee for the discussion of specific items on the agenda.

### **Duties of the Nomination Committee**

In accordance with criterion 5.C.1. of the Code and as provided in the Committee's Regulation, the Nomination Committee was vested with the following functions:

- to express opinions to the Board of Directors concerning its size and composition and express recommendations with regard to the professional skills necessary within the Board as well with regard to the topics indicated in criteria 1.C.3. and 1.C.4. of the Code;
- to submit the Board of Directors candidates for directors' offices in case of co-optation, should the replacement of independent directors be necessary;
- where the Board of Directors evaluates the adoption of a plan for the succession of executive directors, the Committee carries out the review on the preparation of the above-mentioned plan.

The main activities performed by the Committee during 2019, as part of its duties, were as follows:

- on March 6th, 2019, approval of the version of the questionnaire related to the Board Evaluation activity to be transmitted to the Board for purposes of self-assessment process of 2018-2019 years;
- on October 24th, 2019, meeting with the Group Director Human Resources & Communication for an updating regarding the status of the managerial resources;
- on November 14th, 2019, meeting with President and CEO for the discussion of the Company succession plans and governance.

Note that the Chairman of the Board of Statutory Auditors attended the meetings on March 6<sup>th</sup>, October 24<sup>th</sup> and November 14<sup>th</sup>, 2019.

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In compliance with criterion 4.C.1., paragraph d), all Committee meetings are duly minuted and the Chairman has given indications about at the meeting of the Board of Directors of February 28<sup>th</sup>, 2019 and of February 11<sup>th</sup>, 2020.

In performing its duties, the Nomination Committee had the right to access the necessary Company's information and functions to carry out its activities.

During the current exercise it has been not necessary to make use of external consultants.

At its meeting of November 14<sup>th</sup>, 2018, the Board of Directors made available to the Committee an expense budget for year 2019 totalling € 15,000 (fifteen thousand), considered all-inclusive in covering duties related both to Nomination and Remuneration Committees.

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## 8.0 REMUNERATION COMMITTEE

### **Composition and duties of the Remuneration Committee (pursuant to article 123-bis, paragraph 2d), TUF)**

This Committee was set up by the Board of Directors, on May 2<sup>nd</sup>, 2018, including also the duties of the Nomination Committee. The Committee, in compliance with the provisions of principle 6.P.3. and by criterion 4.C.1. lett. a) of the Code, is composed of 3 (three) independent directors, Angelo Zaccari (Chairman), Enrica Maria Ghia and Giuseppe Persano Adorno.

In 2019, the Remuneration Committee held 4 (four) meetings and, in 2020, it plans at least 3 (three) meetings of which 3 (three) already held on February 11<sup>th</sup>, March 12<sup>th</sup> and April 21<sup>st</sup>, 2020; the average duration of meetings is approximately one hour, attended by all members.

As provided in the Regulation, no director may attend Committee meetings in which proposals are formulated to the Board of Directors in relation to his own remuneration.

Committee meetings were also attended by other persons against invitation of the Committee for the discussion of specific items on the agenda.

### **Duties of the Remuneration Committee**

In accordance with principle 6.P.4., the Committee presents to the Board proposals for the definition of the general policy for the remuneration of executive directors and managers with strategic responsibilities.

In addition, in compliance with criterion 6.C.5. of the Code and, as provided in the Committee's Regulation, the Remuneration Committee was vested with the following functions:

- periodically assess the adequacy, overall consistency and actual application of remuneration policy for directors and executives with strategic responsibilities, also on the basis of

information provided by the chief executive officers; formulate proposals to the Board of Directors on such matters;

- submit proposals or issues opinions to the Board of Directors for the remuneration of executive directors and other directors who cover particular offices as well as for the identification of performance objectives related to the variable component of that remuneration;
- monitor the implementation of decisions adopted by the Board of Directors and verify, in particular, the actual achievement of the performance objectives.

The main activities performed by the Committee during 2019 as part of its duties, were as follows:

- on March 6<sup>th</sup>, 2019, discussion and updating on the policy of retention adopted by the Company;
- on the same date, approval, after receiving opinion in favour from the Chairman of the Board of Statutory Auditors, of the updated contents of the “General policy on the remuneration of directors and executives with strategic responsibilities” and the “Remuneration Report”, with related tables, to be submitted, in a sole document, to the Company’s Board of Directors for examination and approval at the meeting of March 13<sup>th</sup>, 2019;
- on October 24<sup>th</sup>, 2019, analysis of the performance of the incentive plan named “Plan of Restricted Share and Performance Shares 2018-2021” for Isagro’s top management.

Note that the Chairman of the Board of Statutory Advisors attended the meetings held on March 6<sup>th</sup>, October 24<sup>th</sup> and November 14<sup>th</sup>, 2019.

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In compliance with criterion 4.C.1., paragraph d), all Committee meetings are duly minuted and the Chairman has given indications about at the meeting of the Board of Directors of February 28<sup>th</sup>, 2019 and February 11<sup>th</sup>, 2020.

In performing its duties, the Remuneration Committee had the right to access the necessary Company’s information and functions to carry out its activities. The Committee, in the reporting period, did not avail itself of the support of any external consultants.

At its meeting of November 14<sup>th</sup>, 2018, the Board of Directors made available to the Committee an expense budget for year 2019 totalling € 15,000 (fifteen thousand), considered all-inclusive in covering duties related both to Nomination and Remuneration Committees.

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## 9.0 REMUNERATION OF DIRECTORS

Note that information on this section are provided in the “Remuneration Report” published pursuant to article 123-ter, TUF, and available on the Company website [www.isagro.com](http://www.isagro.com) - governance section/Shareholders’ Meeting.

### **Incentive mechanisms for the Internal Audit Manager and the Manager responsible for preparing the corporate accounting documents**

We highlight that, in line with the provisions of criterion 6.C.3. of the Code, in defining the incentive mechanisms for the Internal Audit Manager and the Manager in charge for preparing the corporate accounting documents, special attention was paid to balancing qualitative and economic and financial objectives, in consideration of their roles and the tasks assigned to them.

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## 10.0 CONTROL, RISK AND SUSTAINABILITY COMMITTEE

### **Composition and duties of the Control, Risk and Sustainability Committee (pursuant to article 123-bis, paragraph 2d), TUF)**

This Committee was set up by the Board of Directors, on May 2<sup>nd</sup>, 2018.

The Committee is composed of 3 (three) independent directors, Giuseppe Persano Adorno, Enrica Maria Ghia and Marcella Elvira Antonietta Logli the latter as Chairman, whose experience in accounting, financial, risk management as well as sustainability matters was deemed suitable by the Board of Directors at the time of the appointment.

The membership of the Committee therefore complies with the provisions of principle 7.P.4. of the Code, in accordance with which the Committee membership can comprise only independent directors, if the Issuer is subject to direction and coordination by another company the Committee shall be made up exclusively of independent directors.

In 2019 the Committee held 9 (nine) meetings and, in 2020, it plans at least 8 (eight) meetings, of which 5 (five) already held on January 29<sup>th</sup>, March 6<sup>th</sup> and 10<sup>th</sup>, April 21<sup>st</sup> and 30<sup>th</sup>. The average duration of meetings is approximately three hours, attended by all members.

In accordance with the Committee’s Regulation, all the Committee meetings were attended by the Internal Audit Manager, who reported on audits carried out in the reporting period and worked as the Committee's Secretary.

As provided in criterion 7.C.3. of the Code, the Chairman of the Board of Statutory Auditors or other

Statutory Auditor designated by him attended the Committee meetings; on invitation from the Committee and in relation to specific items on the agenda, other persons of Company departments also attended.

### **Duties of the Control, Risk and Sustainability Committee**

At the time of its establishment, all duties provided in criterion 7.C.2. of the Code were assigned to the Control and Risk Committee, as follows:

- evaluate, together with the Manager responsible for preparing the corporate financial documents and after consulting the independent auditing firm and the Board of Statutory Auditors, the correct application of accounting principles and, for groups, their consistency for the purpose of the preparation of the consolidated Financial Statements;
- express opinions on specific aspects pertaining to the identification of the main corporate risks;
- review the periodic reports on the internal control and risk management system, and those particularly relevant prepared by the Internal Audit department;
- monitor the independence, adequacy, effectiveness and efficiency of the Internal Audit department;
- where appropriate, request the Internal Audit department to perform audits of specific operational areas, duly informing the Chairman of the Board of Statutory Auditors;
- at least every six months, on the approval of the annual and half-year financial reports, report to the Board on activities carried out and on the adequacy of the internal control and risk management system;
- support, with adequate analysis, the Board's assessments and decisions about the management of risks arising from prejudicial acts to which the Board of Directors becomes aware of.

In addition, the Committee, pursuant to criterion 7.C.1. of the Code, provides opinions to the Board of Directors on:

- the definition of the internal control and risk management system guidelines;
- the approval, at least once a year, of the audit plan prepared by the Internal Audit Manager;
- the description in the Corporate Governance Report of the main characteristics of the internal control and risk management system, and methods of coordination of people involved, expressing its opinion on the system's adequacy;
- the assessment of the findings reported by the auditing firm in any letter of recommendations and in the report on main issues resulting from the audit;
- appointment and revocation of the Internal Audit Manager, the officer's funding with sufficient resources and the definition of the pertaining remuneration consistent with company policies.

Lastly, it should be noted that, starting from the current mandate, the following tasks have also been assigned to the Committee:

- examining and assessing: (i) sustainability policies aimed at ensuring the creation of value over time for the generality of shareholders and for all other stakeholders over the medium-long term in respect of the principles of sustainable development; (ii) the guidelines, objectives, and consequent sustainability processes as well as the sustainability report annually submitted to the Board of Directors;
- monitor the international sustainability initiatives and the participation in them of the Company, aimed at protecting the corporate reputation on the international front.

During 2019, the Committee mainly performed the following activities:

- examined the 2019 audit plan and reports prepared during the year by the Internal Audit department;
- examined specific issues relating to the identification of the main corporate risks, directly involving the company departments concerned;
- monitored and supervised the risk management activity carried out by the Risk Manager assisted by Internal Audit department, duly reporting on a quarterly basis to the Board of Directors;
- monitored and supervised the process underlying the "Non-Financial Statement - year 2019";
- examined this Report;
- deepened, during dedicated meetings and inviting the reference company representatives to participate, the following topics:
  - a) information on the main issues relating to the Environment and Safety and related risks;
  - b) "impairment test" process and application of the new accounting principle IFRS 16;
  - c) the application of the procedure for the "procedure for managing transactions with related parties";
  - d) the application of the procedure for the "handling of confidential information" and of the "Internal Dealing Code";
  - e) the risks related to the transaction of sale of the subsidiary Isagro Asia;
  - f) outstanding disputes, with particular reference to the arbitration procedure with the related company Gowan LLC;
  - g) Isagro S.p.A. and consolidated financial position trend;
- met, among others, the head of Q&HSE, Corporate Affairs, Legal Affairs, Supply Chain and Marketing & Sales as well as the CFO and the Manager in Charge, in order to acquire a better

comprehension about corporate activities and information on particular topics of interest;

- as part of the coordination activities with other parties involved in the internal control and risk management system (Board of Statutory Auditors, Supervisory Body, Independent Auditors), in the meetings held during the reporting period it provided details of activities performed through a mutual exchange of information;
- reported on a quarterly basis to the Board of Directors on activities performed during the reporting period.

All Committee meetings were duly minuted and the Chairman has given indications about them at the meetings of the Board of Directors of February 28<sup>th</sup>, 2019 and February 11<sup>th</sup>, 2020.

In performing its duties, the Control and Risk Committee had the right to access the necessary Company's information and functions to carry out its activities; in the reporting period, it did not avail itself of the support of any external consultant.

At its meeting of November 14<sup>th</sup>, 2018, the Board of Directors made available to the Committee an expense budget for year 2019 totalling € 25,000 (twenty-five thousand) to cover the performance of its duties.

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## 11.0 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

### Introduction

The internal control and risk management system is a set of rules, procedures and organisational structures that, through an appropriate process of identification, measurement, management and monitoring of the main risks, allow a sound and correct management of the company in a manner consistent with the established goals.

The responsibilities of the internal control and risk management system are assigned to the Board of Directors, which defines the guidelines on the internal control and risk management and periodically verifies the related operations, with the support of the Control, Risk and Sustainability Committee, Internal Audit department and Risk Manager.

An effective internal control and risk management system, in fact, contributes to ensuring the safeguarding of corporate assets, the efficiency and effectiveness of corporate transactions, the reliability of financial data and the compliance with laws and regulations. The same system also contributes to a management of the enterprise coherent with the business goals set by the Board, encouraging taking aware decisions.

Given the characteristics of the company, the Control, Risk and Sustainability Committee and Risk Manager periodically report to the Board, the activity carried out and planned by Internal Audit function and on the basis of assessments performed, the Board of Directors considers the Company's



internal control and risk management system is mainly organised so as to ensure correct information and substantial control coverage of all the areas at greatest risk.

### **Main characteristics of the existing risk management and internal control system regarding the financial reporting process pursuant to article 123-bis, paragraph 2 b), TUF**

The internal control system regarding the financial reporting process aims to identify and assess actions or events, the occurrence or absence of which could compromise the achievement of the reliability, accuracy and promptness objectives of financial reporting.

This system strictly belongs to the Isagro's risk management system, known as the "Internal Control and Risk Management System".

The internal control model on financial reporting adopted by Isagro was presented to the Control, Risk and Sustainability Committee and to the Issuer's Board of Directors and all aspects concerning the principles of control and accuracy of the process are applied to the Group companies.

The Manager responsible for preparing the corporate accounting documents, pursuant to Law 262/2005 (hereinafter the "responsible Manager"), was vested with powers to implement the administrative-accounting procedures that govern the process of drawing up periodical corporate financial disclosures, to monitor the application of the administrative-accounting procedures and, together with the CEO, to release to the market its certificate concerning the financial documentation, meeting the terms of the assertions above-mentioned (reliability, accuracy and promptness).

The design, establishment and maintenance of the system on financial reporting are ensured through the following methodological approach:

- risk assessment and gap analysis;
- identification of controls;
- assessment of the controls and management of the monitoring process.

This process is managed by the aforementioned responsible Manager who, with the support of the Internal Audit department, defines the interventions in terms of process, information systems or procedures to correct any deficiencies of the control system.

The risk assessment activity aims to identify the corporate processes that, due to the impact on financial disclosure with generation of accounting transactions, are important for the purpose of the assessment. This activity is implemented on the basis of a quali-quantitative assessment approach, applying top-down logic, as described below (with particular reference to financial statements and periodic reports):

- analysis of the financial statements for each year (Isagro S.p.A.'s individual and consolidated position);
- identification of the material accounts of the Financial Statements (so-called significant accounts);
- identification of the corporate processes used as input (so-called target processes).

The material accounts of the Financial Statements are identified through a combined analysis of various assessment parameters. These parameters are defined in order to consider the following aspects:

materiality of the item in relation to the significance of its value, randomness/variability of the item, criticality/complexity of determining the item, the specific features of the Company and the reference business/sector/environment.

The structure of the financial reporting control system includes two macro types of controls:

- entity controls: these controls apply to the entire company organisation and concern: the assignment of powers in line with the responsibilities assumed within the organisation, the segregation of duties and responsibilities, the communication and staff training system concerning accounting standards and the internal control system on financial reporting, the procedural system aimed at regulating the closing of the Financial Statements and consolidated Financial Statements as well as disclosure of the financial reports and the security of the corporate IT system;
- process controls: these are specific controls for each process, i.e. the setup of manual and system activities aiming to prevent, identify and correct errors that occur during the production of financial reporting; these controls are indicated at a single procedure level, so that each user is informed that failed execution may determine an error or fraud on the drafting process of the Financial Statements and the financial reporting.

The above-mentioned controls, both at entity and process level, are subject to constant assessment in order to guarantee the correct operation of the financial reporting control and identify any deficiencies found in it.

On this regard, the responsible Manager has assigned to each process owners, i.e. the managers of a key process for the purpose of financial reporting, a monitoring task, to be carried out each quarter and in any case when required, by executing tests on important activities (ongoing monitoring activity). At the same time, the responsible Manager has assigned to a third party with respect to the process owners (the Internal Audit department of the Company) the task of carrying out independent monitoring (separate evaluation) based on an activity plan shared with the responsible Manager.

In case of identification of gaps in the issued procedures or of deficiencies at control level, the responsible Manager initiates the risk assessment process again in order to correct the emerging problems.

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

On May 2<sup>nd</sup>, 2018, the Board of Directors of the Issuer, in compliance with criterion 7.P.3., paragraph a) no. (i) of the Code, named the Vice-Chairman, Maurizio Basile, as “Executive Director Responsible for the Internal Control and Risk Management System”, with the following duties in accordance with criterion 7.C.4. of the Code:

- identification of the main business risks taking into account the characteristics of the activities carried out by the Issuer and its subsidiaries, submitting the results for periodic review by the Board;

- implementation of the guidelines defined by the Board of Directors, ensuring the planning, setup and management of the internal control and risk management system, constantly monitoring its adequacy and effectiveness;
- adjustment of such system to changes in operating conditions and in the legislative and regulatory framework;
- request to Internal Audit department to perform audits of specific operational and on the compliance of business operations with internal rules and procedures, duly informing the Chairman of the Board of Directors, Chairman of the Control, Risk and Sustainability Committee and the Chairman of the Board of Statutory Auditors;
- prompt reporting to the Control, Risk and Sustainability Committee (or to the Board of Directors) on problems and critical issues resulting from the performance of his duties or of which he may become aware, in order that the Committee (or Board) can take appropriate action.

The Executive Director Responsible for the Internal Control and Risk Management System has taken care, with the support of the Risk Manager and the Internal Audit Manager as well as the operational support of the Control, Risk and Sustainability Committee, of the identification of the main business risks and has implemented the guidelines defined by the Board, providing for the design, implementation and management of the internal control and risk management system, constantly verifying its adequacy and effectiveness.

The Vice-Chairman is promptly updated through the compliance and control departments regarding legal and regulatory developments, in such a way as to guide the necessary adjustment of the processes and functions involved.

## **11.2 MANAGER OF THE INTERNAL AUDIT DEPARTMENT**

On May 10<sup>th</sup>, 2018, as proposed by the Executive Director Responsible for the Internal Control and Risk Management System, in compliance with the provisions of criterion 7.C.1. of the Code and with the favourable opinion of Control, Risk and Sustainability Committee, of Remuneration and Nomination Committee and of Board of Statutory Auditors, the Company's Board of Directors appointed Laura Trovato as Internal Audit Manager, defined her remuneration consistent with corporate policies and criteria of the Code and provided the officer with resources sufficient to carry out her duties.

The Internal Audit Manager is not responsible for any operational area and reports to the Board of Directors throughout the role of its Chairman.

In accordance with criterion 7.C.5. of the Code, the Internal Audit Manager has the following responsibilities:

- verifies, both on a continuous basis and in relation to specific needs and compliant with international standards, the operations and adequacy of the internal control and risk management system through an audit plan approved by the Board of Directors, based on a structured process of analysis and prioritising of the main risks;

- prepares reports containing adequate information on activities performed, the risk management methods adopted and on compliance with the plans defined for risk mitigation. Such periodic reports contain an adequacy assessment of the Internal Control and Risk Management System;
- prepares timely reports on particularly significant events and submit them to the Board of Statutory Auditors, the Control and Risk Committee, the Board of Directors as well as to the Executive Director Responsible for the Internal Control and Risk Management System;
- provides support to all corporate departments in performing their activities;
- as part of the audit activities provided in the audit plan, verifies the reliability of the IT systems including the accounting recognition systems.

She has the right to access to all necessary Company's information to carry out her duties and has also resources at her disposal as envisaged in an annual budget (totalling approximately € 25,000 – twenty-five thousand).

The Internal Audit Manager, after hearing the opinion of the Control and Risk Committee at that date, has submitted the “Annual Internal Auditing Plan for year 2019” to the Board of Directors on February 28<sup>th</sup>, 2019.

The activity performed by Internal Audit department in 2019 was consistent with the above approved audit plan. As part of the audit activities carried out, it was also verified the accounting recognition system to improve the reliability of the information technology systems.

The findings of audits conducted by the Internal Audit department on the correctness of management, on risk trends and on the overall functionality of the internal control system are reported by the Manager to all the Company bodies (the Board of Directors' Chairman, Vice-Chairman - also in his role as Executive Director Responsible for the Control and Risk Management System, the Control Risk and Sustainability Committee and the Board of Statutory Auditors).

In 2019 the Internal Audit Manager attended all meetings held by the Control, Risk and Sustainability Committee and by the Board of Statutory Auditors; she provided support in the identification of the main business risks to the Risk Manager. The Internal Audit Manager also performed activities requested by the Manager responsible for preparing the corporate accounting documents.

We highlight that the Internal Audit department of the Issuer is internal to the Company.

### **11.3 ORGANIZATIONAL MODEL pursuant to Legislative Decree No. 231/2001**

In 2006 the Board of Directors of Isagro S.p.A. adopted an Organizational, Management and Control Model pursuant to Italian Legislative Decree 231/2001 (hereinafter also referred to as the “Organizational Model”) and appointed a Supervisory Body.

At the date of this Report, the current Model is the one approved, in its integrated and updated version, by the Board of Directors on September 5<sup>th</sup>, 2018. This document, in particular, incorporates the consolidated jurisprudential guidelines in the subject referred to in Legislative Decree 231/2001 up to that date as well as the updates / additions made to the structure and contents in order to reflect the

organizational changes that have occurred. It has to be noted that, during the year 2020, the Company will plan an activity of risk assessment to identify possible impacts of the eventual fulfillment of new crimes entered into force during 2019 (and first months of 2020) within business sensible processes and of evaluating the adequacy of the controls foreseen in the current Organizational Model 231. This activity will be performed with the help of external consultants having a well-known experience.

The Organizational Model, also structured in accordance with Confindustria Guidelines, is composed of a General Section and a Special Section.

The General Section briefly covers the contents of Legislative Decree no. 231/2001, defines the Supervisory Body and its assigned powers and functions and also outlines the related information flow and the Disciplinary System adopted by the Company. When the document was lastly updated, this section was supplemented with the whistleblowing provisions, as required by the Law of November 30<sup>th</sup>, 2017, No. 179. In particular, the Board of Directors approved, on September 5<sup>th</sup>, 2018, the "Group Reporting Procedure" aimed at establishing and managing direct communication channels for the timely reporting of any violations and irregularities concerning unlawful conduct and / or violations (including alleged violations) of laws and regulations.

The Special Section specifically describes the Sensitive Processes and the measures and protocols set up by the Company to prevent the risk of committing offences provided in Legislative Decree no. 231/2001. The Annexes referred to in the text of the document form an integral part of the Organizational Model, particularly the Group Code of Ethics. Again, during the meeting on September 5<sup>th</sup>, 2018 the Board approved the updated and integrated version of the Group Code of Ethics.

The types of offences included in the Issuer's Organizational Model as at the date of this Report are the following: "*Offences against Public Administration*", "*Corporate and market abuse offences (including private corruption)*", "*Receiving stolen goods, money-laundering, use of illegally gained money, assets and utilities and self-laundering*", "*Occupational Health and Safety offences*", "*Computer crime*", "*Organized crime*", "*Counterfeit of trademarks, patents and logos*", "*Industrial and commercial offences*", "*Copyright offences*", "*Environmental offences*", "*Employment of citizens of third countries whose stay is illegal*" and "*Offences against individual personality*".

The task of monitoring the operations and compliance with the Model, and arranging the related updates, is assigned to the Supervisory Body, which was confirmed by the resolution of the Board of Directors on May 2<sup>th</sup>, 2018.

The composition of this Board, the three-year term of office of which expires on approval of the Isagro S.p.A. Financial Statements at December 31<sup>st</sup>, 2020, features a collegial structure to satisfy the independence, autonomy, professionalism and continuity requirements of Legislative Decree no. 231/2001. Its members include two external professionals Renato Colavolpe, covering the role of Chairman, and Antonio Zoncada and the Internal Audit Manager, Laura Trovato.

The Supervisory Body reports directly to the Board of Directors through half-year reports, about the implementation of the Model and any identified critical matters.

We highlight that, in 2013, the Board of Directors considered the opportunity of assigning the Supervisory Body duties to the Board of Statutory Auditors, as provided in article 14, paragraph 12, Italian Law no. 183 of November 12<sup>th</sup>, 2011, and decided to structure its corporate governance model including both a Supervisory Body and a Board of Statutory Auditors.

The Group Organizational Model (summary version) and the Group Code of Ethics are available on



the Company website ([www.isagro.com](http://www.isagro.com) - governance section).

#### **11.4 INDEPENDENT AUDITING FIRM**

The Shareholders' Meeting held on April 26<sup>th</sup>, 2012, after considering the justified proposal made by the Board of Statutory Auditors, appointed Deloitte & Touche S.p.A., with registered office in Milan, to perform the audit of the separate and consolidated Financial Statements of the Company and the limited review of the half-year reports for the period 2012-2020.

On December 20<sup>th</sup>, 2017, the task of revising the "Non-Financial Statement" for the financial years 2017-2020 was assigned to the Independent Auditing Company, with the positive opinion of the Board of Statutory Auditors.

#### **11.5 MANAGER RESPONSIBLE FOR PREPARING THE CORPORATE ACCOUNTING DOCUMENTS AND OTHER CORPORATE FUNCTIONS**

Article 21-*bis* of the Articles of Association assigns powers to the Board of Directors to appoint and terminate the office of a Manager responsible for preparing the corporate accounting documents, subject to the binding opinion of the Board of Statutory Auditors, and vests appropriate powers and resources to this officer to perform the assigned duties in accordance with laws and regulations.

The Manager responsible for preparing the corporate accounting documents shall meet the integrity requirements established by law for members of the Board of Directors, and shall have an overall experience of at least three years in the exercise of administrative and/or accounting and/or financial and/or control activities at the Company and/or at its subsidiaries and/or at other public limited companies.

On May 2<sup>th</sup>, 2018 Isagro S.p.A.'s Board of Directors, having verified in advance the aforementioned requisites and with favorable opinion of the Board of Statutory Auditors, confirmed Ruggero Gambini - Chief Financial Officer (CFO) of Isagro S.p.A. - as Manager responsible for preparing the corporate accounting documents.

The Manager responsible for preparing the corporate accounting documents was informed and vested with powers enabling performance of such duties and the Board of Directors ensures that he has sufficient powers and means to carry on his tasks.

On November 14<sup>th</sup>, 2018, the Board of Directors, in compliance with law and the Articles of Association, made him available an expense budget for year 2019 totaling € 20,000 (twenty thousand).

With regard to managers in other roles and corporate functions having specific tasks in relation to internal control and risk management, reference should be made to paragraph 11.6 below.

## 11.6 COORDINATION BETWEEN PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The following parties are involved in the internal control and risk management system:

- the Board of Directors, which performs a guidance and assessment role as regards the adequacy of the system;
- the Executive Director Responsible for the Internal Control and Risk Management System, who arranges its planning, implementation and management, identified in the Company's Vice-Chairman;
- the Control, Risk and Sustainability Committee, with the duty of providing support to the Board of Directors' assessments and decisions relating to the internal control and risk management system as well as aspects relating to sustainability policies;
- the Risk Manager, responsible for the coordination of governing bodies in the risk management process;
- the Internal Audit Manager, as third level control, in charge to verify that the internal control and risk management system is adequate and operates correctly;  
the Company departments to which first level controls are assigned, with a view to ensuring the monitoring and management of corporate risks;
- the Manager responsible for preparing the corporate accounting documents, who in relation to accounting reports (including interim reports), certifies the correspondence between information disclosed to the market and the documented results, the accounting books and records pursuant to 262 Law;
- Corporate Affairs and Legal Affairs Managers, with reference to the oversight of the legal and non-compliance risk, including the risk of the commission of criminal offenses against or in the interest of the Company;
- the Board of Statutory Auditors, which supervises the effectiveness of the internal control and risk management system;
- the Supervisory Body, vested with all powers to ensure prompt, efficient supervision of the operations and compliance with the Organizational Model adopted by the Company, in accordance with the provisions of article 6, Legislative Decree no. 231/2001.

Coordination among the aforementioned parties enhances the effectiveness and efficiency of the internal control and risk management system in order to reduce activities overlapping.

Such coordination is developed through a continuous exchange of information between the parties both during joint meetings and through the circulation of the minutes prepared by the different bodies.

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## 12.0 DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

In compliance with the provisions of article 2391-*bis* of the Italian Civil Code and Consob Regulation no. 17221 of March 12<sup>th</sup>, 2010, as amended by resolution no. 17389/2010, on March 14<sup>th</sup>, 2017 the

Board of Directors approved the updated version of the “Procedures for managing Transactions with Related Parties”, which entered into force on May 2<sup>nd</sup>, 2017. This Procedure (available on the Company website [www.isagro.com](http://www.isagro.com) – governance section /codes & procedures) was approved subject to the previous favourable opinion of the Issuer’s independent directors and, in short, provides for transactions with related parties to be resolved subject to the justified, non-binding opinion of a Committee consisting exclusively of unrelated independent directors.

The Procedure contains the rules for identifying, approving and implementing transactions with related parties as executed by the Company, either directly or through subsidiaries, in order to ensure substantial and transparency and fairness of such transactions.

Pursuant to article 10, paragraph 1 of the Procedure, the Chairman of the Board of Directors issues operating guidelines with the aim of guaranteeing an easy understanding and application by the target recipients of the rules contained in the Procedure, and of identifying the company departments responsible for its management. As of the date of this Report and based on the ownership structure of the Issuer and the type of decisions usually submitted to Board approval, the Board of Directors has not evaluated as necessary the adoption of specific operating solutions to facilitate the identification of situations in which a director has an interest on his own account or on behalf of third parties.

We highlight that, for the proper management of transactions with related parties, the Procedure, in addition to the terms of the above-said Consob Regulation no. 17221, has established the following: if a transaction submitted to the Board of Directors is in the interest, even indirectly, of one of the Isagro S.p.A.’s directors, the latter should promptly and fully inform the Board of Directors about the interest (in accordance with article 2391 of the Italian Civil Code) as well as abstain from participating in the resolution. Should the Board of Directors deem appropriate the participation of the involved director in the investigation and resolution phases, the same can enable, after hearing the Board of Statutory Auditors, the participation of the director concerned both in the preliminary stage and in the deliberative stage.

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## **13.0 APPOINTMENT OF STATUTORY AUDITORS**

In accordance with article 25 of the Articles of Association, the Board of Statutory Auditors consists of 3 (three) Standing Auditors and 2 (two) substitute auditors, appointed by the Shareholders’ Meeting from lists submitted by shareholders. Candidates on lists must be ranked in progressive order for election.

In each list containing 3 (three) or more candidates, the first 2 (two) candidates for standing auditor must be of different genders, and likewise the 2 (two) candidates for substitute auditor.

The submission, publication and filing of lists and related documentation (including therein statutory declarations and attestations) are subject to the procedures set forth in article 15 of the Articles of Association (see paragraph 4.1 of this Report), to the extent they are compatible with article 144-*sexies*



of Issuers' Consob Regulation, approved by Resolution no. 11971 of May 14<sup>th</sup>, 1999, as subsequently amended.

Lists may be submitted by as many shareholders as represent, alone or with others, at least 2.5% (two point five per cent) of the share capital, or a different percentage established by Consob<sup>7</sup>. In the event that, at the closing date by the twenty-fifth day prior to the date in which the shareholders should approve the new Statutory Auditors, only one list or only lists presented by shareholders who, according to the paragraph 4, are connected to each other in accordance with Article 144-d, have been filed, lists may be submitted until the third day following that date. In such case, the aforementioned threshold of 2.5% is reduced to half.

Members of the Board of Statutory Auditors are selected among those who possess the requisites of professionalism and integrity as included in the Ministry of Justice's Decree no. 162 dated March 30<sup>th</sup>, 2000.

In order to ascertain that the requirement of the experience of each candidate is met, for subject matters and sectors of activity strictly associated with those of the Company we refer to those relating to the so-called "conduct-related obligations", i.e. those that guarantee specialised services.

2 (two) standing auditors and 1 (one) substitute auditor shall be taken from the list that has obtained the highest number of votes expressed by shareholders, in accordance with the progressive order in which they are indicated on the list itself. The third standing auditor and the second substitute auditor shall be taken from other lists in accordance with the procedure provided by article 15 b) of the Articles of Association.

The chairmanship of the Board of Statutory Auditors goes to the first candidate of the second list (the third standing auditor) who has obtained the highest number of votes.

Where only one list is submitted, the Shareholders' Meeting shall vote on it; in the event that the list obtains the relative majority, the first 3 (three) candidates indicated in progressive order shall be elected as standing auditors and the fourth and fifth candidates as substitute auditors; the chairmanship of the Board of Statutory Auditors goes to the first candidate of the submitted list. If no list is submitted, the Board of Statutory Auditors and its Chairman shall be elected by the Shareholders' Meeting on the basis of the majority voting requirements set forth in article 14 of the Articles of Association, in compliance with *pro tempore* current regulations on gender balance.

Where a statutory auditor is to be replaced, the substitute auditor belonging to the same list shall be appointed, in compliance with the *pro tempore* current regulations on gender balance.

Where the Chairman of the Board of Statutory Auditors is to be replaced, the other standing auditor, belonging to the same list of the Chairman, shall be appointed. Where replacements cannot be made in this way or where legal procedures apply, a Shareholders' Meeting shall be held to complete the appointment of Board of Statutory Auditors' members, on the basis of the majority voting requirements set forth in article 14 of the Articles of Association, in compliance with the *pro tempore* current regulations on gender balance.

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<sup>7</sup> By Resolution no. 20273 of January 24<sup>th</sup>, 2018, Consob confirmed the 2.5% threshold.

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## **14.0 COMPOSITION AND DUTIES OF THE BOARD OF STATUTORY AUDITORS (pursuant to article 123-bis, paragraphs 2d) and 2d-bis), TUF)**

The current Board of Statutory Auditors, in office until approval of the Financial Statements as at December 31<sup>st</sup>, 2021, was appointed by the Shareholders' Meeting of April 30<sup>th</sup>, 2019, by list vote and also in application of article 148, paragraph 1-*bis*, TUF with a view to guaranteeing gender balance.

For the purposes of the appointment of the Board of the Statutory Auditors, two lists have been presented.

In the List no. 1, presented by the shareholder Holdisa S.r.l. (representing the 53,662% of the voting share capital), have been proposed as:

*Standing Auditors*

1. Silvia Baroffio
2. Filippo Cova
3. Marco Giuliani

and as

*Substitute Auditors*

4. Eleonora Ferraris
5. Renato Colavolpe

In the List no. 2, presented by the shareholder Mediolanum Gestione Fondi Sgr (representing the 1,894% of the voting share capital), have been proposed as:

*Standing Auditor*

Roberto Cassader

and as

*Substitute Auditor*

Sonia Peron

On the basis of the favourable vote to the first list by the 53,70% of the ordinary shares having right of vote and of the favourable vote to the second list by the 3,62% of the ordinary shares having right of vote, were elected the Auditors as follows:

*Standing Auditors*

- Roberto Cassader - Chairman
- Silvia Baroffio
- Filippo Cova

*Substitute Auditors*

- Marco Giuliani
- Sonia Peron

The personal and professional characteristics of each standing and substitute auditor are provided below:

**Roberto Cassader**, *Chairman of the Board of Statutory Auditors* of the Issuer.

He is registered in the Order of Chartered Accountants, Monza Accounting Experts and in the Register of Legal Auditors. Since 1990 he has been working as a freelancer and since 1994 as a Chartered Accountant in leading professional firms in Milan, with particular reference to tax consultancy and planning, corporate law consultancy and execution of company appraisals.

For many years, he has been involved in analysing and evaluating the existing corporate governance structure, verifying the internal control system aimed at “risk management” and assisting in the development of the related organizational and control models.

From 1995 to 2007 he was a member of the Study Commission on the Company Law of the Order of Monza Chartered Accountants.

Since 1992 he has held positions as Standing Auditor and Statutory Auditor in national and multinational corporations, some of which are part of listed Groups.

**Silvia Baroffio**, *Standing Auditor* of the Issuer.

She is Vice-President by Accuracy S.r.l., financial consulting firm and she is registered in the Register of Auditors. During the previous experience of more than 13 years by Reconta Ernst & Young S.p.A. and within the current professional experience, she gained a wide variety of experiences related to listed companies, organizational skills, managing working groups on multiple projects at the same time and motivating the resources assigned to these projects.

Since 2013 she has held the position as Chairman of the Board of Statutory Auditors of Blue IT S.p.A., since 2018 she has held the position of Standing Auditor of the Italian-English company L. Manetti – H. Roberts & C. for shares and also Substitute Auditor of the company Bolton Alimentari S.p.A. and since 2019 has been Standing Member of the Board of Statutory Auditors of UHU Bostik S.p.A., Standing Member of the Board of Statutory Auditors of MGA Srl and Single Auditor of the companies Pratoinvestimenti S.r.l. and Investimenti Commerciali Piacenza S.r.l..

**Filippo Cova**, *Standing Auditor of the Issuer* (previously Chairman of the Board of Statutory Auditors of the Issuer starting from the first appointment of shareholders on April 28<sup>th</sup>, 2016 until the approval of the Balance Sheet at December 31<sup>st</sup>, 2018).

He is a Managing Partner of Studio Capone Ticozzi Partners, Milan (“CT&P”).

He is a member of the Milan Society of Chartered Accountants and registered in the Register of Auditors.

After working in 1991 in a multinational firm in United Kingdom, in CT&P he gained 25 years of significant experience as a tax, corporate and accounting advisor of Italian and foreign multinational corporations, specialising in mergers & acquisitions, preparation of sworn expert appraisals, technical advice as part of the judgments in corporate and financial matters and the liquidator activities of numerous companies.



He held and he currently holds the role of statutory auditor, often as Chairman of the Board of Statutory Auditors, of companies belonging to prestigious national and international groups.

**Sonia Peron**, *Substitute Auditor* of the Issuer.

Since 2002 she has been the owner of the study and she is specialized in corporate and tax matters. She is registered at the Order of Chartered Accountants of Padova and in the Register of Auditors.

Since 2019 she has been professor by the Bologna University – Dept. of Industrial Engineering. Since 2015 she has been Standing Auditor by Mazars Italia S.p.A..

Since 2018 she has been Chairman of the Board of Statutory Auditors of Sogefi S.p.A. (CIR Group) and member of College of Auditors of Formendil (*Ente Nazionale per la Formazione e l'Addestramento professionale in Edilizia*).

Since 2019 she has been Standing Auditor of ANRA (Associazione Nazionale Risk Manager) and of SANEDIL (*Fondo Nazionale di Assistenza Sanitaria Integrativa per i lavoratori dell'edilizia*).

**Marco Giuliani**, *Substitute Auditor* of the Issuer.

He is co-owner of MGP Tax Study, member of the International Network PKF and he is registered at the Milan Order of Chartered Accountants. Until 2005 he has been Co-Managing Partner and International Senior Partner of the Fiscal Study related to Deloitte STS.

He is professor of several internal and external courses with Ipsoa and Euroconference as well as at the Milan Order of Chartered Accountants in the Commission of International Taxation. His experience is mainly matured as fiscal consultant and Auditor addressed to big/multinational listed and not listed companies.

The composition of the Board of Statutory Auditors is indicated in the following table.

**STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

Assignment	Name	Year of birth	Date of first appointment *	In office since	List **	Indep. by Code	Attendance at the meetings of Board of Statutory Auditors ***	No. other assignments ****
Chairman	CASSADER Roberto	1965	30.04.2019	30.04.2019	M	X	9/9	no. 7 Chairman no. 7 Standing Auditor no. 1 Member of Supervisory Body no. 10 Substitute Auditor
Standing Auditor	BAROFFIO Silvia	1971	30.04.2019	30.04.2019	M	X	9/9	no. 1 Chairman no. 3 Standing Auditor no. 2 Sole Auditor no. 2 Substitute Auditor
Standing Auditor	COVA Filippo	1966	28.04.2016	30.04.2019	M	X	12/13	no.13 Chairman no. 6 Standing Auditor no. 4 Administrator no. 4 Sole Auditor
Substitute Auditor	PERON Sonia	1970	30.04.2019	30.04.2019	M	X	0/9	no.1 Chairman no. 4 Standing Auditor no. 1 Substitute Auditor no. 1 Statutory Auditor
Substitute Auditor	GIULIANI Marco	1959	30.04.2019	30.04.2019	M	X	0/9	no. 7 Chairman no. 16 Standing Auditor no. 2 Member of Supervisory Body no. 1 Sole Auditor



**STATUTORY AUDITORS TERMINATING OFFICE DURING THE REPORTING PERIOD**

Standing Auditor	COSTANZA Claudia	1967	24.04.2013	28.04.2016	M	X	4/4	no. 6 Chairman no. 2 Standing Auditor no. 3 Substitute Auditor no. 2 Administrator
Standing Auditor	BAGNASCO Giuseppe	1945	29.04.2010	28.04.2016	M	X	3/4	
Substitute Auditor	FERRARIS Eleonora	1976	29.04.2013	28.04.2016	M	X	0/4	
Substitute Auditor	COLAVOLPE Renato	1953	28.04.2016	28.04.2016	M	X	0/4	no. 13 Standing Auditor no. 13 Chairman
<b>N. of meetings held during the reporting period: 13</b>								
<b>Quorum required to present minority lists for the election of one or more members (pursuant to article 148, TUF): 2,5%</b>								

**In office until:** the current Board of Statutory Auditors is in office up to the Shareholders' Meeting called for the approval of the Financial Statements as at December 31<sup>st</sup>, 2021.

**NOTES**

\* Date of first appointment of each statutory auditor indicates the first time absolute the Statutory Auditor was appointed as member of the Issuer's Board of Statutory Auditors.

\*\* This column indicates the voting list of each Statutory Auditor ("M": majority list; "m": minority list).

\*\*\* This column indicates the attendance level of statutory auditors at the Board of Statutory Auditors (expressed as the number of attended meetings compared to the total number of meetings which he/she could participate).



\*\*\*\* This column indicates the number of assignments as Director or Statutory Auditor of each concerned person pursuant to article 148-bis, TUF and to Issuers' Consob Regulation implementing provisions. The full list of the assignments is available on the Consob website pursuant to article 144-*quinqüesdecies* of the Issuers' Consob Regulation.

The Board of Statutory Auditors held 13 (thirteen) meetings during the year; the average duration of the meetings was about 3 (three) hours; the attendance is illustrated in the above table.

During 2020, at least 10 (ten) meetings are planned, 8 (eight) of which have already been held on January 24<sup>th</sup>, March 6<sup>th</sup> and 17<sup>th</sup>, April 3<sup>rd</sup>, 10<sup>th</sup>, 21<sup>st</sup> and 30<sup>th</sup>, 2020<sup>8</sup>.

There have been no changes in membership of the Board of Statutory Auditors since the end of 2019.

With regard to the diversity policy applied in relation to the Board of Statutory Auditors, please refer to paragraph 4.2.

The Board verifies the independence requirements of its members on an annual basis. In conducting these assessments, the Board applies the criteria envisaged in the Corporate Governance Code with reference to the independence of directors, as adopted by the Board of Directors.

The Board of Statutory Auditors appointed by the Shareholders' Meeting of April 30<sup>th</sup>, 2019, on May 8<sup>th</sup>, 2019 (earliest date after their appointment), declared that it met the requirements for office, confirming the statement made at the Shareholders' Meeting. The results of the assessments were disclosed to the market by means of a press release sent to the Italian Stock Exchange in accordance with the Consob Regulation terms and conditions.

On April 3<sup>rd</sup>, 2020, the Board of Statutory Auditors, as per the principles of the Corporate Governance Code of the listed companies and in compliance with the ethical Rules of the Board of Statutory Auditors issued by CNDCEC, has made its self-evaluation on the activity carried out during the year 2019, positively evaluating, together with the possession of the requirements of integrity, professionalism and independence, the operation of the same College through a Questionnaire of Self-Evaluation which results have been summarized in the "Self-Evaluation Report 2019 of Isagro S.p.A. Board of Statutory Auditors".

Pursuant to criterion 2.C.2. of the Code, we highlight that the organization and contents of Board of Directors' meetings, as well as the attendance of Committee meetings, guarantee constant updating of the Statutory Auditors as regards Company performance, the reference market and the principles of proper risk management disclosure; the statutory auditors are also updated regularly on the main regulatory and self-regulation changes through the participation in conferences on related matters.

The remuneration of the Statutory Auditors shall be determined by Shareholders' Meeting.

The remuneration of the Board of Statutory Auditors was established by Shareholders' Meeting on April 30<sup>th</sup>, 2019, which confirmed the previously allocated amounts, providing for an annual fee of € 30,000 (thirty thousand) for the Chairman of the Board and € 20,000 (twenty thousand) for each Standing Auditor, gross of withholding taxes. These fees are commensurate with the commitment required, the relevance of the role covered and the dimensional characteristics of the Company.

The remuneration earned in 2019 is detailed in the Remuneration Report.

With regard to criterion 8.C.4., which recommends that a Statutory Auditor who, on his own account or on behalf of third parties, has any interest in a given transaction of the Issuer, must promptly give a full disclosure to the other Statutory Auditors and to the Chairman of the Board of Directors of the nature, terms, source and extent of such interest, we highlight that such recommendation has been observed.

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<sup>8</sup> On April 30<sup>th</sup>, 2019 two meetings took place.





In carrying out its duties, the Board of Statutory Auditors works in coordination with the Internal Audit department and the corporate control bodies, exchanging information significant to the completion of their respective duties.

In 2019, the Chairman of the Board of Statutory Auditors or his appointed delegate participated at all meetings of the Control, Risk and Sustainability Committee to discuss issues and audits conducted. Moreover 4 (four) joint meetings took place with the Control, Risk and Sustainability Committee, 1 (one) meeting with the Supervisory Body and 2 (two) meetings with the Auditing Firm for mutual exchanges of information.

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## 15.0 INVESTOR RELATIONS

Isagro S.p.A.'s Board of Directors, in accordance with principles 9.P.1. and 9.P.2. of the Code, promotes initiatives to encourage the greatest possible attendance of shareholders at Shareholders' Meetings, to facilitate the exercise of shareholder rights and takes action to establish continuous dialogue with shareholders based on an understanding of their respective roles.

The Company guarantees to the financial community several dedicated meetings, as part of a constant, transparent and continuous communication.

To promote relations with shareholders and key investors, the Issuer's website ([www.isagro.com](http://www.isagro.com)) features an investor relations section in which the relevant documentation for shareholders concerning the Issuer is published.

The Company's interest in establishing and maintaining constant dialogue with its shareholders, institutional investors and financial analysts was confirmed with the setup in 2003 of a dedicated company department: Investor Relations.

On March 1<sup>st</sup>, 2017, the Company's Board of Directors appointed, effective from the same date, Erjola Alushaj as Investor Relations Manager, i.e. the "Manager responsible for relations with institutional and other shareholders" pursuant to criterion 9.C.1. of the Corporate Governance Code and to article 3j) of Stock Exchange Market Regulation.

In compliance with the procedure on the communication of Company-related documents and information, the Investor Relations Manager is responsible for the dialogue with institutional investors, other shareholders and with the financial community operators at national and international level. Together with the Communication department, the Investor Relations Manager is responsible for financial disclosures.

The Issuer publishes information online regarding corporate governance, Financial Statements and highlights, presentations of corporate events, press releases and share performance on its website in English and Italian, so as provide its shareholders with fast, easy access to such important information.

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## **16.0 SHAREHOLDERS' MEETINGS (pursuant to article 123-bis, paragraph 2c), TUF)**

Pursuant to article 9 of the Articles of Association, the Shareholders' Meeting represents all shareholders. Its resolutions, made in compliance with laws in force and the Articles of Association, are binding upon all shareholders.

Shareholders' Meetings may be held on an ordinary or extraordinary basis, as required by law. Meetings may be held outside the registered offices of the Company, providing they are in Italy or in a European Union member State.

The Board of Directors is required to call a Shareholders' Meeting at least 1 (once) a year, no later than 120 (one hundred and twenty) days from the close of the financial year, or no later than 180 (one hundred and eighty) days if the Company is required to prepare consolidated Financial Statements and where required by special circumstances relating to the structure and business purpose of the Company.

Pursuant to article 10 of the Articles of Association, each shareholder is entitled to one vote for every ordinary share held. We highlight that there are no multiple voting shares or shares envisaging the increase of votes.

Pursuant to article 11 of the Articles of Association, the Shareholders' Meetings are called via notice of meeting published in accordance with the terms and methods established under applicable laws and regulations. Notices of meetings are required to specify the date, time and place of the meeting, the agenda and any additional information required under regulations, including statutory provisions, in force. The ordinary Shareholders' Meeting and the extraordinary Shareholders' Meeting shall be held in a single call, unless the Board of Directors, for a specific Shareholders' Meeting, resolves to indicate the date for the second, and if necessary, for the third call, providing notice thereof in the notice of call.

In accordance with article 12 of the Articles of Association, the participation and representation of shareholders at Shareholders' Meetings are governed by laws and regulations in force. Parties with the right to vote can notify the proxies delegated to intervene and vote at the meetings via certified e-mail to the address stated in the notice of meeting and by the methods established therein. For each Shareholders' Meeting, the Articles of Association envisage the option of designating - and indicating in the notice of meeting - a person or entity to which shareholders may delegate proxy with voting instructions on all or any proposals on the agenda, in accordance with terms and methods established in current regulations.

The Chairman of the Shareholders' Meeting is responsible for checking that shareholders are eligible to participate and that proxies are valid.

In compliance with the provisions of article 13 of the Articles of Association, the Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in his absence or impediment, by the Vice-Chairman, where appointed, or in the absence of both, by another person delegated by the Board of Directors; in the absence of all three, the Shareholders' Meeting elects its own Chairman. The Shareholders' Meeting is required to appoint a Secretary, who may be a non-shareholder.

Voting procedures, both at ordinary and extraordinary Shareholders' Meeting, are conducted as



established by the Chairman of the Shareholders' Meeting and in compliance with laws in force.

Resolutions of the Shareholders' Meeting are recorded in minutes signed by the Chairman and Secretary.

Where required by law and where deemed appropriate by the Chairman of the Shareholders' Meeting, the minutes are recorded by a Notary Public.

Ordinary Shareholders' Meetings may approve, or if necessary, amend, regulations governing meeting procedures in accordance with laws in force governing companies listed on regulated markets.

The extraordinary Shareholders' Meeting is exclusively responsible for decisions on the issue of convertible and non-convertible bond loans referred to article 2 of the Articles of Association.

Any sale of assets (including firms, business units and intellectual properties) representing more than the 25% of the amount of the total assets, resulting from the latest certified consolidated financial statements approved by Isagro, shall be subject to the approval of the ordinary Shareholders' Meeting pursuant to article 2364, no. 5), of the Italian Civil Code.

Pursuant to article 14 of the Articles of Association, the ordinary and extraordinary Shareholders' Meeting are held, as a general rule, in a single call, and they are constituted and pass valid resolutions with the majorities contemplated by law. The Shareholders' Meeting resolutions that prejudice the rights of the Growth Shares established by article 7 and/or by article 24 must be approved by the special Shareholders' Meeting holding Growth Shares in compliance and with the majorities prescribed by law.

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For the purpose of facilitating procedures at Shareholders' Meetings, the Company has published "Isagro S.p.A. Shareholders' Meeting Regulation", available on the website ([www.isagro.com](http://www.isagro.com), governance section/Shareholders' Meeting).

The methods used to guarantee the rights of each shareholder to speak on items on the agenda are provided in article 6 of the aforementioned Regulation.

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The Shareholders' Meeting is the corporate event that allows direct discussion between Directors and Shareholders.

The Chairman of the Board, Giorgio Basile, the Vice-Chairman, Maurizio Basile and the directors Marcella Logli, Giuseppe Persano Adorno, Angelo Zaccari, Erwin Rahue, Roberto Bonetti, Silvia Lazzeretti e Margherita Zambon. The Chairman of the Board of Statutory Auditors, Filippo Cova, the Statutory Auditors, Claudia Costanza and Giuseppe Bagnasco (appointed until the same date), the new elected Auditors Silvia Baroffio and Roberto Cassader (respectively at the same date nominated Standing Auditor and Chairman of the Statutory Auditors) as well as the Chairman of the Supervisory Body, Renato Colavolpe attended the Shareholders' Meeting of April 30<sup>th</sup>, 2019.

In response to questions from Shareholders, information was provided at the meeting on business performance and on items on the agenda. Documents and information were also provided as envisaged in applicable legal regulations, already disclosed to the public, by the deadlines envisaged in



regulations in force, made available at the Company's registered office, at Borsa Italiana S.p.A. (Italian Stock Exchange) and on the Company website.

It should be noted that no further matters were submitted to the Shareholders' Meeting with respect to the proposals formulated by the Directors for which prior public disclosure was necessary by the Shareholders controlling the Issuer.

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We highlight that the Remuneration Committee reports to Shareholders on the methods used to carry out its duties through what is described in the Annual Remuneration Report that is exposed and approved with advisory vote during Annual Shareholders' Meeting, as required by article 123-ter, paragraph 6, of the TUF.

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During the year, there were no significant changes in the market capitalisation of the Issuer's shares or in the composition of its shareholder structure.

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## **17.0 OTHER CORPORATE GOVERNANCE POLICIES (pursuant to article 123-bis, paragraph 2a), TUF)**

The Issuer does not apply corporate governance practices over and above those necessary to meet legal and regulatory obligations, other than the ones already illustrated in the previous paragraphs of this Report.

In particular, reference should be made to previous section 10 with regard to the tasks assigned to the Control, Risk and Sustainability Committee regarding the supervision of sustainability matters, to the previous section 11.3 with regard to the Organizational Model adopted by the Issuer pursuant to Italian Legislative Decree no. 231/2001 and to the internal procedure for reporting mechanisms of possible irregularities or violations of the regulations (so-called whistleblowing system).

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## **18.0 CHANGES OCCURRING AFTER YEAR END**

No changes to the corporate governance structure have occurred since the close of the financial year.

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## **19.0 CONSIDERATIONS ON THE LETTER OF DECEMBER 19<sup>th</sup>, 2019 BY THE CORPORATE GOVERNANCE COMMITTEE PRESIDENT**

The recommendations contained in the letter of December 19<sup>th</sup>, 2019 by the President of the Corporate Governance Committee on Corporate Governance area were brought to the attention of the Board of Directors and the Board of Statutory Auditors in the meeting of February 11<sup>th</sup>, 2020.

These recommendations are related to the following areas: 1) sustainability of the company activity, 2) quality of the pre-board information, 3) application of the criteria of independence, 4) adequacy of the remuneration of non-executive directors and members of the control body.

In this regard, the Board of Directors, in examining the aforementioned recommendations states that the matters included in the above-mentioned points 1) 2) 3) have been already indicated in the Board Evaluation of the years 2018/2019 and evaluates not to carry out further initiatives compared to those ones implemented or started, as already in compliance with them, with exclusion of the sole matter at point 2) which was identified as an improvement area.

With regard to the area at point 4), the Board undertakes to include this argument in the self-evaluation process of year 2020.

Milan, May 6<sup>th</sup>, 2020

On behalf of the Board of Directors of Isagro S.p.A.

The Chairman

Giorgio Basile