



**REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES**  
pursuant to Art. 123-*bis* of Italian Legislative Decree no. 58 of 24 February 1998

**FINANCIAL PERIOD 2018**

(Report approved by the Board of Directors on 14 March 2019)

**Rai Way S.p.A.**

**Registered office in Via Teulada no. 66, Rome (Italy)**

**Tax ID and VAT number and Rome Companies' Register no.: 05820021003**

**Fully paid-up share capital €70,176,000.00**

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

**Company subject to management and coordination**

**by RAI - Radiotelevisione Italiana S.p.A.**

## CONTENTS

CONTENTS .....	2
1. SPECIFIC DEFINITIONS .....	5
1. ISSUER PROFILE.....	8
1.1. Corporate governance profile.....	8
1.2. Information on the management system and corporate bodies.....	8
1.3. Qualification as “SME” for the purpose of TUF provisions .....	9
1.4. Powers of the Italian government (so-called golden powers).....	10
1.5. Transfer of equity interests in the share capital of the Issuer by shareholder Rai.....	12
1.6. Equity investments in other companies .....	13
2. INFORMATION ON THE OWNERSHIP STRUCTURES (EX ART. 123-BIS, PARAGRAPH 1 TUF) AS AT 31 DECEMBER 2017.....	14
2.1. Capital structure.....	14
2.2. Restrictions on transferability of shares.....	14
2.3. Significant equity investments in share capital.....	14
2.4. Securities that grant special rights.....	14
2.5. Employee shareholdings .....	14
2.6. Restrictions on voting rights .....	15
2.7. Shareholders' agreements.....	15
2.8. Change of control clauses.....	15
2.9. Provisions in the articles of association regarding takeover bids .....	16
2.10. Authorisation to increase share capital and/or purchase treasury shares.....	16
2.11. Management and coordination activities.....	17
3. COMPLIANCE.....	19
4. BOARD OF DIRECTORS .....	20
4.1. Appointment and replacement (Art. 123-bis, paragraph 1, letter l) TUF).....	20
4.2. Composition (Art. 123-bis, paragraph 2, letter d) TUF).....	23
4.2.1. Maximum number of offices held in other companies.....	28
4.2.2. Policies regarding diversity in the composition of the Board of Directors and control bodies .....	28
4.2.3. Induction Programme .....	30
4.3. Role of the Board of Directors (Art. 123-bis, paragraph 2, letter d TUF).....	30
4.4. Delegated Bodies.....	33
4.4.1. Chief Executive Officer.....	33
4.4.2. Chairman of the Board of Directors.....	36
4.4.3. Executive Committee .....	37
4.4.4. Board Briefing.....	37
4.5. Other Executive Directors .....	38

4.6.	<i>Independent Directors</i> .....	38
4.7.	<i>Lead Independent Director</i> .....	39
5.	<b>MANAGEMENT OF CORPORATE INFORMATION</b> .....	40
6.	<b>BOARD COMMITTEES (PURSUANT TO ART. 123-BIS, PARAGRAPH 2, LETTER D) TUF)</b> .....	42
7.	<b>REMUNERATION AND APPOINTMENTS COMMITTEE</b> .....	43
7.1.	<i>Composition and functioning of the Remuneration and Appointments Committee</i> .....	43
7.2.	<i>Functions of the Remuneration and Appointments Committee</i> .....	44
8.	<b>REMUNERATION OF DIRECTORS</b> .....	46
9.	<b>CONTROL AND RISKS COMMITTEE</b> .....	48
9.1.	<i>Composition and functioning of the Control and Risks Committee (Art. 123-bis, paragraph 2, letter d) TUF)</i> .....	48
9.2.	<i>Duties attributed to the Control and Risks Committee</i> .....	50
10.	<b>INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM</b> .....	53
10.1.	<i>Introduction</i> .....	53
10.2.	<i>Description of the main characteristics of existing risk management and internal control systems used in relation to the financial reporting process</i> .....	55
10.3.	<i>Bodies and Functions within the ICRMS</i> .....	57
10.3.1.	Board of Directors and Control and Risks Committee.....	57
10.3.2.	Appointed Director responsible for the Internal Control and Risk Management System.....	59
10.3.3.	Board of Statutory Auditors .....	60
10.3.4.	Manager of the Audit Function.....	60
10.3.5.	<i>Audit</i> .....	62
10.3.6.	Manager in charge of preparing the corporate accounting documents.	63
10.4.	<i>Coordination methods between parties involved in the internal control and risk management system</i> .....	67
10.5.	<i>Organisational Model pursuant to Legislative Decree 231/2001</i> .....	68
10.5.1.	Basic principles .....	68
10.5.2.	Structure of the Model 231 .....	69
10.5.3.	Supervisory Board.....	71
10.5.4.	In-House Appointees .....	71
10.6.	<i>Code of Ethics</i> .....	72
10.7.	<i>Anti-corruption Measures</i> .....	72
10.8.	<i>Internal Dealing Code of Conduct</i> .....	73
10.9.	<i>Inside Information Policy</i> .....	74
10.10.	<i>Independent auditors</i> .....	74
11.	<b>DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES</b> 75	
12.	<b>APPOINTMENT OF STATUTORY AUDITORS</b> .....	79

13.	COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (ART. 123- <i>BIS</i> , PARAGRAPH 2, LETTER D) TUF).....	81
14.	RELATIONS WITH SHAREHOLDERS .....	85
15.	SHAREHOLDERS' MEETINGS (ART. 123- <i>BIS</i> , PARAGRAPH 2, LETTER C) TUF).....	86
16.	OTHER CORPORATE GOVERNANCE PRACTICES (ART. 123- <i>BIS</i> , PARAGRAPH 2, LETTER A) TUF) .....	88
17.	CHANGES AFTER THE REPORTING PERIOD .....	89
18.	COMMENTS ON THE LETTER DATED 21 DECEMBER 2018 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE.....	89

This report has been translated into English from the Italian original solely  
for the convenience of international readers.

## 1. SPECIFIC DEFINITIONS

<b>Appointed Director</b>	The director appointed to establish and maintain an effective internal control and risk management system (ICRMS), referred to in 10.3.2 of this Report.
<b>Shareholders' Meeting</b>	The Shareholders' Meeting of Rai Way.
<b>Borsa Italiana</b>	Borsa Italiana S.p.A., with registered office in Milan, Piazza degli Affari n. 6.
<b>Corporate Governance Code</b>	The Corporate Governance Code of listed companies prepared by the Corporate governance committee of listed companies promoted by Borsa Italiana (Edition of July 2018).
<b>Code of Ethics</b>	The corporate code of ethics is an integral part of the Model 231, described in more detail in Section 10.5 of this Report.
<b>Inside Information Policy</b>	The policy on handling inside information approved by the Board of Directors, as described in more detail in Section 10.9 of this Report.
<b>Board of Statutory Auditors</b>	The Board of Statutory Auditors of Rai Way.
<b>Board of Directors Board</b>	The Board of Directors of Rai Way.
<b>First Trading Day</b>	The first day Rai Way's shares were traded on the Italian Stock Exchange (MTA), i.e. 19 November 2014.
<b>Manager in charge of preparing the corporate accounting documents</b>	The manager charged with preparing the company's financial reports, pursuant to Art. 154- <i>bis</i> TUF, referred to in Section 10.3.6 of this Report.
<b>RAI Group or Group</b>	The group of companies led by Rai, which includes its controlled companies pursuant to Art. 2359 of the Italian Civil Code.
<b>Organisational, management and control model or Model 231</b>	The organisational, management and control model pursuant to Legislative Decree no. 231 of 8 June 2011, as amended.
<b>Monte Titoli</b>	Monte Titoli S.p.A., with registered office at Piazza Affari, no. 6, Milan (Italy).

<b>MTA</b>	Mercato Telematico Azionario – the Italian equities market managed by Borsa Italiana.
<b>New Service Agreement</b>	The service agreement signed on 31 July 2014 (effective from 1 July 2014) between Rai Way, as supplier, and RAI, as principal, for the provision of “turnkey” services.
<b>New Passive Service Agreement</b>	The service agreement signed on 31 July 2014 (effective from 1 July 2014) between Rai, as supplier, and Rai Way, as principal.
<b>Global Sales Offering or Global Offering</b>	The public global sales offering made by RAI for the admission to the listing of its shares on MTA, concluded on 19 November 2014.
<b>Supervisory Board</b>	The Supervisory Board in compliance with Italian Legislative Decree no. 231 of 8 June 2001, as amended.
<b>Related Party Procedure</b>	The procedure concerning related party transactions, adopted by the Company in accordance with the provisions of Art. 2391- <i>bis</i> of the Italian Civil Code and the Regulation on Related Party Transactions (as defined below).
<b>Rai or Parent</b>	RAI - Radiotelevisione italiana S.p.A., with registered office at Viale Giuseppe Mazzini no. 14, Rome (Italy).
<b>Rai Way or Issuer or Company</b>	Rai Way S.p.A., with registered office at Via Teulada no. 66 Rome (Italy).
<b>Shareholders' Meeting Regulations</b>	The Shareholders' Meeting regulation, pursuant to Criteria 9.C.3 of the Corporate Governance Code, in order to permit an orderly and effective conduct of Shareholders' Meetings.
<b>Board Regulations</b>	The rules and regulations of the Board of Directors, approved by this Board, in accordance with Art. 23.1 of the Articles of Association, which governs the functioning and powers of the Board, in compliance with the provisions of law and the Articles of Association.
<b>Management and Coordination Regulations</b>	This regulation covers the management and coordination activities exercised by Rai on Rai Way, approved by the Board of Directors of the Issuer and the Parent on 4 September 2014 and effective as of the First Trading Day.

<b>Issuers' Regulations</b>	The CONSOB regulation adopted with resolution no. 11971 of 14 May 1999, as amended.
<b>Market Regulations</b>	The regulations approved by CONSOB with resolution no. 20249 of 28 December 2017, as amended.
<b>Regulations on Related Party</b>	Regulations containing provisions relating to transactions with related parties, adopted by CONSOB with resolution no. 17221 on 12 March 2010, as amended.
<b>Report</b>	This report on corporate governance and the ownership structure
<b>Manager of the Audit Function</b>	The subject responsible for the Audit function, pursuant to Section 10.3.4 of this Report.
<b>ICRMS</b>	Acronym of "Internal Control and Risk Management System", as described in Part 10 of this Report.
<b>Independent Auditors</b>	PricewaterhouseCoopers S.p.A., engaged to perform the statutory auditing of the Issuer's accounts.
<b>Articles of Association</b>	The Articles of Association of Rai Way.
<b>TUF</b>	Legislative Decree no. 58 of 24 February 1998, as amended.

## **1. ISSUER PROFILE**

### ***1.1. Corporate governance profile***

The term “corporate governance” means the set of rules and, more generally, the corporate governance system for the management and control of corporations.

Rai Way is a company with shares listed on the Borsa Italiana Electronic Stock Market (MTA) since 19 November 2014 (i.e. the date of completion of the Global Offering promoted by Rai shareholders).

In view of and for the purpose of listing its shares, the Board of Directors resolved to adopt the Corporate Governance Code on 4 September 2014; as of that date, the Company gradually adopted a number of resolutions to bring its corporate governance system into line with the Corporate Governance Code, starting on the First Trading Day.

Rai Way has adopted a governance system in line with all applicable laws and regulations and consistent with international best practice principles: we would like to emphasis the central role of the Board of Directors and the objectives to properly manage any conflicts of interests, to ensure the efficiency of the internal control system and to provide transparency to the market.

Unless otherwise indicated, the information contained in this Report refers to the financial year ended 31 December 2018.

### ***1.2. Information on the management system and corporate bodies***

The Company has adopted a so-called traditional management system, which highlights the role of the Board of Directors as the management body, while the Board of Statutory Auditors is responsible for the control function. The governance structure and the overall organisational structure are also in line with the objective of maximising management efficiency to create greater value for all of our shareholders.

The corporate bodies are the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors. The powers and operating procedures of the corporate bodies are governed by the law, the By-laws, and the resolutions passed by the competent bodies, depending on the case.

#### **Shareholders' Meeting**

The Shareholders' Meeting is the sovereign body that expresses the Company's will through its resolutions.

The Shareholders' Meeting passes resolutions, in ordinary and extraordinary sessions, on matters assigned to it in accordance with the law and the By-laws. In particular, the ordinary Shareholders' Meeting must be called at least once a year, within one hundred and twenty days from the end of the financial year, or within one hundred and eighty days, in the cases permitted by law and in the manner prescribed by law. In any event, the Shareholders' Meeting is convened, in ordinary or extraordinary sessions, any time the Board of Directors considers it appropriate and in other cases provided by current laws and regulations.



Shareholders' Meetings are convened through a notice to be published in accordance with the procedures and time limits, which include the content set out in applicable laws and regulations. Shareholders' Meetings of Rai Way are held in a single call, unless the Board of Directors, for a certain session, resolves to provide a date for the second call and, if necessary, the third call, giving notice thereof in the notice of call.

See Part 15 of this Report for additional information.

#### Board of Directors

The Board of Directors shall be solely responsible for managing the company and shall work with the diligence required in accordance with the nature of the duty and on the basis of the specific skills of each of its members.

The Board of Directors shall have all powers of management of the Company and the right to carry out all actions considered necessary or advisable to implement the corporate purpose, with the sole exception of those actions which the By-laws reserve to the Shareholders' Meeting. The operating procedures and duties of the administrative body are governed by specific regulations, adopted by the Board in compliance with applicable laws, regulations and the By-laws.

Members of the Board of Directors are elected using the so-called slate vote system, i.e. based on lists submitted by shareholders who, on their own or together with other shareholders, own Rai Way shares representing at least 2.5% of the share capital with voting rights or representing a lower percentage established by mandatory provisions of law or regulations.

See Part 4 of this Report for additional information.

#### Board of Statutory Auditors

The Board of Statutory Auditors is the supervisory body of Rai Way comprising three standing auditors and two substitute auditors. Auditors are elected using the so-called slate vote system, i.e. based on lists submitted by shareholders who, on their own or together with other shareholders, hold shares with voting rights representing at least the percentage of share capital established by applicable law or regulations.

See Parts 12 and 13 of this Report for additional information.

### **1.3. Qualification as “SME” for the purpose of TUF provisions**

On the date of this Report, also for the purpose of the application of several regulations on corporate governance and ownership structures contained in the Consolidated Law on Finance (i.e. the TUF), Rai Way qualifies as an “SME” pursuant to Art. 1, paragraph 1, letter w-*quater*.1) TUF (<sup>1</sup>).

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<sup>1</sup> Pursuant to Art. 1, paragraph 1, letter w-*quater*.1) TUF, "SME" means; "without prejudice to what is contemplated by other provisions of law, listed small and medium enterprises, whose sales also prior to the admission of their own shares for trading, have a turnover of less than Euro 300 million, or which have a market capitalisation of below Euro 500 million. Issuers of listed shares which have exceeded both the aforesaid limits for three consecutive years are not considered SMEs. Consob establishes by regulation the implementation provisions of this letter, including the

#### **1.4. Powers of the Italian government (so-called golden powers)**

The assumption of certain corporate resolutions by the Issuer, or the acquisition by non-EU investors of certain equity interests in the Issuer which are considered material for the purposes of control could be limited by special powers of the Italian government (“golden powers”) granted by Decree Law no. 21 of 15 March 2012 converted, as amended, into Law no. 56 of 11 May 2012 — as subsequently amended by Italian Legislative Decree no. 148 of 16 October 2017 (converted with amendments by Law no. 172 of 4 December 2017), which regulates the government's special powers with respect, *inter alia*, to strategic assets in the communications sector.

The “strategic assets” in the communications sector were identified by Art. 3 of Presidential Decree no. 85 of 25 March 2014 as follows: (i) dedicated networks and the public access network to final customers in connection with metropolitan networks, service routers and long distance networks; (ii) installations used for end users’ access to services under universal service obligations and to broadband and ultra-broadband services, including the relevant contractual relationships; (iii) apparatuses, including those that are non-exclusive, dedicated to connectivity (voice, data and video), safety, control, and management in relation to fixed telecommunications access networks.

In particular, Art. 2 of Decree Law 21/2012 sets forth that — in reference with the companies that hold one or more of these strategic assets, the Government may:

- (a) veto any resolution, action or transaction which – involving a change in the ownership, control or availability of the assets or change their usage – give rise to an exceptional circumstance, not governed by national and European law, that present a material threat to the public interest of safety and operation of the networks and plants, as well as the continuity of supply (paragraph 3);
- (b) make the validity of the purchase for any reason, by non-EU parties, of any shareholding that would determine the stable control by the purchaser, of the company — the investment in which is the purpose of the purchase, pursuant to Art. 2359 of the Italian Civil Code and Art. 93 of TUF, if the aforesaid purchase represents a material threat to the public interest of safety and operation of the networks and installations, as well as to the continuity of supply, or a danger for the public safety — conditional to the purchaser’s undertaking of commitments aimed at ensuring the protection of the aforesaid interests (Section 6);
- (c) object to the purchase referred to in letter (b) in exceptional cases of risk for the protection of the aforesaid interests, which may not be eliminated by the purchaser by undertaking specific commitments to ensure the protection of the aforesaid interests (paragraph 6).

Article 4 of Presidential Decree no. 85/2014, in any case:

- establishes that the special powers shall apply insofar as to ensure the protection of the basic interest of the Italian government, including those connected to the development of adequate infrastructure, not sufficiently guaranteed by the existence of an industry-

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*disclosure obligations of such issuers in respect of the acquisition or loss of the qualification of SME. Consob, on the basis of the information provided by the issuers, publishes the list of SMEs on its website”.*

specific regulation, also of a contractual nature connected to a specific concessionary agreement;

- excludes from the application of special powers “*types of acts and transactions implemented within the same group [...] related to mergers, divisions or disposals, also of equity investments when the relevant resolutions of the shareholders’ meetings or of the administrative bodies do not involve the transfer of the company or business units thereof or of subsidiaries, or transfer of the registered office, amendment of the company purpose, the dissolution of the company or amendment of any provision of the articles of association adopted by the company pursuant to Article 2351, paragraph 3 of the Italian Civil Code, or introduced pursuant to Article 3, paragraph 1 of Law Decree no. 332 of July 30, 1994, converted with amendments by Law no. 474 of 30 July 1994, as amended, or, lastly, the establishment or transfer of ownership rights or rights of use related to tangible or intangible assets or acceptance of restrictions constraining their use*”. This exclusion does not apply where there are sources of information on the threat of serious damage to public interests related to the safety and operation of networks and plants, as well as the continuity of supply.

The procedures for exercising special powers in the communication sector are laid down in Presidential Decree no. 86 of 25 March 2014.

#### *Power of veto in connection with the adoption of certain corporate resolutions*

For the purpose of exercising the powers set out in letter (a) above, the company holding the strategic assets must notify the Presidency of the Council of Ministers of the Italian Republic of the resolution with a complete report on the resolution within ten days and, in any case, before implementation of the resolution. The Presidency of the Council of Ministers of the Italian Republic communicates his/her intention to exercise veto power within fifteen days following notification. The veto power may also be exercised in the form of imposition of specific requirements or conditions sufficient to safeguard public interests concerning the safety and operation of the networks and plants, as well as the continuity of supplies. If no measure is imposed within the 15-day deadline, the transaction shall be considered clear.

Resolutions or deeds approved in breach of a veto are null and void. The Presidency of the Council of Ministers of the Italian Republic may also order the company and the counterparty, if any, to reinstate the prior situation at their own cost and expense. Unless the act constitutes an offence, any person who does not comply with the provisions on exercising veto power shall be subject to a fine of up to twice the value of the operation, however no less than 1% of the enterprises’ cumulative turnover in the most recent financial year for which financial statements have been approved.

#### *Power to impose conditions or oppose the purchase of shareholdings*

To exercise the powers listed in letter (b) and (c) above, the non-EU party who acquires a significant holding must provide notification of the acquisition, within ten days after its execution, to the Presidency of the Council of Ministers of the Italian Republic, together with any other information useful for providing a general description of the proposed acquisition, the purchaser and area of operations. The Presidency of the Council of Ministers of the Italian Republic provides notice of any imposition of conditions or the exercise of the power of opposition, within fifteen days of the notification. Until the expiry of the deadline for the imposition of conditions or for the exercise of the power of opposition, voting rights

and rights unrelated to economic rights associated with the shares representing the relevant shareholding are suspended.

If the Presidency of the Council of Ministers of the Italian Republic exercises the power to impose conditions and if the conditions imposed upon the purchaser are infringed or not complied with (and for as long as any such infringement or non-compliance continues), then voting rights and rights unrelated to economic rights associated with the shares representing the relevant shareholding are suspended. Any resolutions adopted with the decisive vote of such shares or quotas, as well as resolutions, agreements or actions adopted in breach of the conditions imposed, will be null and void. Unless the relevant conduct constitutes a criminal offence, a purchaser who fails to honour the conditions imposed will be subject to a fine equal to twice the value of the transaction but no lower than 1% of the turnover produced in the most recent financial year for which financial statements have been approved.

If the Presidency of the Council of Ministers of the Italian Republic exercises the power to oppose the shareholder's acquisition, the purchaser may not exercise voting rights or rights other than economic rights, related to the shares representing the relevant shareholding, and shall be required to transfer those shares within one year. In the event of failure to comply with this requirement, the Court, at the request of the Presidency of the Council of Ministers of the Italian Republic, shall order the sale of the above shares in accordance with the procedures laid down in Art. 2359-*ter* of the Italian Civil Code. Any Shareholders' Meeting resolutions adopted with the decisive vote of these shares shall be null and void.

#### **1.5. *Transfer of equity interests in the share capital of the Issuer by shareholder Rai***

Rai exercises control of Rai Way pursuant to Art. 93 TUF.

Decree Law no. 66 of 24 April 2014 converted with amendments into Law no. 89 of 23 June 2014 provides, under Article 21, paragraph 3, that *“for the purposes of streamlining, rationalisation and industrial restructuring of the equity investments held by RAI S.p.A., the Company may proceed to sell on the market, in a transparent and non-discriminatory manner, Rai Way shares, while ensuring the continuity of service provided. The methods of disposal are identified by the decree of the Council of Ministers adopted on proposal by the Ministry of Economy and Finance in agreement with the Ministry of Economic Development”*.

On 8 May 2014, RAI notified the Presidency of the Council of Ministers of the Italian Republic of its intention to launch the Global Offering. The Decree of the President of the Council of Ministers (DPCM) of 2 September 2014 sets out the criteria and methods to be adopted for the disposal of the investment in the share capital of Rai Way S.p.A. held indirectly by the Ministry of the Economy and Finance. (14A07488) (Official Gazette General Series no. 229, dated 2 October 2014) and thereby officially authorised the disposal of the equity investment as part of the Global Offering.

RAI notified the Presidency of the Council of Ministers of the Italian Republic of the Global Offering as required. Following this notification, RAI did not receive any communication from the Presidency of the Council of Ministers of the Italian Republic, within the time limits prescribed by the implementing decree illustrated in Section 1.4 above, concerning the possible exercise of golden powers (see Section 1.4). On 23 October 2014, the following statement was published on the official website of the Presidency of the Council of Ministers of the Italian Republic: *the Council of Ministers has accepted the proposal of the Minister of the Economy*

*and Finance not to exercise the power of veto in relation to [...] the authorisation of the sale of minority shareholding in Rai Way S.p.A. aimed at obtaining a market listing”.*

#### **1.6. *Equity investments in other companies***

Rai Way did not hold any equity investments in other companies for any part of 2018.

## **2. INFORMATION ON THE OWNERSHIP STRUCTURES (EX ART. 123-BIS, PARAGRAPH 1 TUF) AS AT 31 DECEMBER 2017**

### ***2.1. Capital structure***

The share capital of Rai Way amounts to €70,176,000.00, fully paid-in, divided into 272,000,000 ordinary shares with no par value. No other classes of shares exist other than those classified as ordinary.

All shares, which are registered, have the same characteristics and confer the same rights on the holder. Specifically, each share gives the right to one vote in the ordinary and extraordinary Shareholders' Meetings, as well as the administrative rights provided by applicable provisions of law and the Articles of Association.

### ***2.2. Restrictions on transferability of shares***

The shares are registered and freely transferable in accordance with the law and the Articles of Association.

The purchase of some equity interests that are determinant in terms of the control of the Issuer by non-EU investors which control could be limited by the special powers of the Italian government ("golden powers") granted by Decree Law no. 21 of 15 March 2012 - converted with amendments into Law no. 56 of 11 May 2012 - as amended by Decree Law no. 148 of 16 October 2017. Further information is provided in previous Section 1.4 of this Report.

For information on the methods of transferring equity investments in the Issuer's share capital by the shareholder Rai, see Section 1.5 of this Report.

### ***2.3. Significant equity investments in share capital***

Based on the Shareholders' register, the communications received pursuant to law, and other information available on the date of this Report, shareholders with ownership of more than 5% <sup>(2)</sup> of capital with voting rights, on the date of this Report, as at 31 December 2018 are listed in TABLE 1, attached to this Report.

### ***2.4. Securities that grant special rights***

No securities have been issued that grant special rights of control.

### ***2.5. Employee shareholdings***

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(2) In consideration of the fact that the Issuer qualifies as an "SME" pursuant to Art. 1, paragraph 1, letter *w-quater*.1) TUF, the percentage applicable for the purposes of disclosure obligations pursuant to Art. 120 paragraph 2) of the TUF, is 5%.

In 2018, as at this Report date, no stock option is expected to be offered to Rai Way employees.

## **2.6. Restrictions on voting rights**

There are no restrictions on shareholder voting rights.

## **2.7. Shareholders' agreements**

The Company is not aware of any shareholders' agreements pursuant to Art. 122 TUF.

## **2.8. Change of control clauses**

Given the interest held by the controlling shareholder Rai and given the legislative framework within which it operates, the Company cannot be taken over.

Notwithstanding the foregoing, the Company is party to several agreements that contain change of control clauses. More specifically:

- (i) the intra-company current account agreement entered into between RAI and Rai Way on 17 November 2014, instrumental in providing RAI the funding needed to settle the mutual credit and debit balances resulting from several residual payment services provided under the New Passive Service Agreement including, but not limited to, the management of advances to employees at headquarters or regional offices and the liquidation of other items within the Group, not relating to the services rendered pursuant to the New Passive Service Agreement. These residual payment services do not include, in any case, payments resulting from the New Service Agreement. Under the new intra-company current account agreement, Rai Way has been given the option to deposit its liquid assets in favour of RAI in an additional intra-company current account. Specifically, the Issuer is required to provide information on the technical characteristics of the deposit in terms of effective date, duration and amount and, in the event of an agreement with Rai also the financial terms. The liquidity may be repaid to Rai Way on the agreed expiry date or in advance, provided that at least five days notice is given. This agreement shall automatically terminate in the event of loss of control, direct or indirect, of RAI over Rai Way;
- (ii) the agency agreement, signed between Rai and Rai Way on 17 November 2014, through which Rai was granted powers to arrange payments and receipts, respectively, of the receivables and payables arising from the settlement of several intragroup items, mainly in connection with clearing activities, through Rai, of the accounts receivable and accounts payable amongst Group companies (i.e. netting). This activity does not include, in any case, payments resulting from the New Service Agreement, which go directly in the Company's current accounts and are managed independently. This agreement, which has a term of one year, is tacitly renewable unless terminated by either party, subject to at least three months' notice before its

expiry, and provides for automatic termination in the event of loss of control, direct or indirect, of RAI over Rai Way;

- (iii) the loan agreement entered into on 15 October 2014 between Rai Way and Mediobanca - Banca di Credito Finanziario S.p.A., BNP Paribas S.A., Intesa Sanpaolo S.p.A. and UBI Banca Società Cooperativa per Azioni, as lending banks, for a medium-term loan divided into two credit facilities, both maturing on 30 September 2019, more specifically: (i) a term credit facility of up to €120,000,000.00; and (ii) a revolving credit facility of up to €50,000,000.00 The above agreement requires, *inter alia*, in line with market practice, the obligation to repay within five business days if there is a change in control of the Company. At the date of this Report, the term credit facility was fully paid back (in 2018) while the revolving credit facility was not used.

## **2.9. Provisions in the articles of association regarding takeover bids**

The Articles Of Association contain no exemptions from the rules of the Consolidated Law on Finance (Testo Unico Finanziario or TUF) with regard to public takeover bids, including Art. 104, paragraph 1 and Art. 104, paragraph 2 TUF (the passivity rule) and the other exemptions and options stated in Art. 106 TUF arising from the Company's status as an SME (see previous Section 1.3 of this Report). Moreover, the Articles of Association do not call for enforcement of the neutralisation rules provided for in Art. 104-*bis* TUF.

## **2.10. Authorisation to increase share capital and/or purchase treasury shares**

As of this Report, there are no shareholder resolutions giving the Board of Directors the authority to increase the share capital pursuant to Art. 2443 of the Italian Civil Code, nor are the Directors authorised to issue bonds convertible into ordinary or savings shares or bonds with warrants for the purchase of shares.

The Shareholders' Meeting of 23 April 2018 authorised the Board of Directors to purchase and dispose treasury shares, in accordance with Articles 2357 *et seq.* of the Italian Civil Code and Art. 132 TUF and Art. 144-*bis*, letters a), b) and d) of the Issuers' Regulations. In particular, the Shareholders' Meeting resolved to authorise, in the eighteen months following the date of the Shareholders' Meeting resolution, the purchase of treasury shares, in one or more tranches, up to a maximum number of shares not exceeding 10% of share capital, at a price that is neither more than 20% lower nor more than 20% higher than the official share price registered by Borsa Italiana S.p.A. for the trading day preceding each individual transaction, according to any of the methods permitted by current legislation, excluding the option to purchase treasury shares through the purchase and sale of derivatives traded on regulated markets which involve the physical delivery of the underlying shares. This will allow the Company to have an important, flexible tool to use for i) investment of medium- and long-term liquidity, or in any case to exploit market opportunities; ii) intervention to contain anomalous movements in share prices and to regulate the trend in trading and prices against temporary distortions linked to excess trading volatility or low trading liquidity, in compliance with governing regulations; iii) creation of a portfolio of treasury shares which may then be available for uses deemed of interest to the Company, including to service stock incentive plans or as part of the free allocation of shares to shareholders. Furthermore, the Shareholders' Meeting authorised the disposal of treasury shares, for the aforementioned



purposes and with no time limits, at a price or according to any method deemed appropriate to correspond to the objectives pursued, and in any case, based on criteria and conditions determined by the Board of Directors, with reference to actual implementation methods used, the trend in share prices in the period prior to the transaction, and the best interests of the Company, in compliance with the provisions of governing law and regulations.

However, the Board of Directors resolved to ask the Shareholders' Meeting, called to approve the financial statements at 31 December 2018, to revoke the resolution for authorisation issued on 23 April 2018 and to issue a new authorisation for the purchase and disposal of treasury shares, in accordance with Art. 2357 of the Italian Civil Code and Art. 132 TUF and Art. 144-*bis* of the Issuers' Regulations. See the Directors' Report for further information on this proposal, which can also be consulted, further to its publication in accordance with the law, also on the company's website, section Corporate Governance/Shareholders' Meetings/General Meetings/Ordinary Shareholders' Meeting of 18 April 2019).

As at the date of this Report, the Company did not hold any treasury shares, as it did not in 2018, even through any subsidiaries (as indicated above there were no subsidiaries as at the date of this Report or during 2018).

## **2.11. Management and coordination activities**

Rai Way is subject to the management and coordination of RAI pursuant to Articles 2497 *et seq.* of the Italian Civil Code.

On 4 September 2014, the boards of directors of RAI and Rai Way, to the extent of their competence, approved the Management and Coordination Regulations of RAI, the provisions of which pertain only to the Company, excluding, therefore, all companies in the RAI Group, except Rai Way, subject to the management and coordination of the Parent Company. This Management and Coordination Regulation, which became effective on the First Trading Day, aims, on one hand, to balance the need for an informational link and functional interaction underlying Rai's management and coordination activities and, on the other, to ensure that Rai Way's status as a listed company leads to its operational and financial autonomy at all times.

Pursuant to the provisions of the above regulation, RAI mainly performs its management and coordination activities with respect to Rai Way in the following manner:

- (a) the drafting of certain general rules designed to coordinate — to the maximum extent possible and in accordance with the respective requirements — the main guidelines for the management of RAI and Rai Way;
- (b) the requirement for Rai Way to inform the Parent in advance before approving or executing, depending on the case, any operations and/or transactions, determined and drawn up independently within Rai Way, that are considered to be of particular significance and importance with respect to the strategic lines and planning of the operations of the Rai Group;
- (c) the requirement for Rai Way to provide certain information necessary in accordance with the Management and Coordination Regulation and general operational guidelines.

With particular regard to personnel and the remuneration policies, pursuant to the Management and Coordination Regulation, Rai Way has exclusive responsibility for every decision regarding the appointment and hiring of the Issuer's personnel and executives, the management of employment relationships and the establishment of remuneration policies, including setting the career paths and implementing the appraisal and incentive systems for executives, in respect of which Rai has no power of veto. The Parent may adopt specific procedures, which will also be autonomously implemented by Rai Way, directed solely towards compliance with transparency and non-discriminatory criteria which must be a distinct feature, among other things, of the procedures for appointing and hiring the personnel (for more information on remuneration, see the contents of Part 8 of this Report).

As regards the afore-mentioned management and coordination activities of the Company, in 2018 and as at the reporting date, all provisions set forth in Art. 16 of the Market Regulations, were complied with.

### **3. COMPLIANCE**

Rai Way has adopted the Corporate Governance Code approved by the Corporate Governance Committee and accessible to the public on the website of the Committee (at <https://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2018clean.pdf>).

As regards the recommendations related to the Corporate Governance Code, formulated in December 2018 by the Corporate Governance Committee, the provisions set out by the Company with reference to the single areas thereof, are described in the respective Paragraphs of the Report, as indicated in Part 18 below.

Rai Way is not subject to any non-Italian laws that would affect its corporate governance structure.

## 4. BOARD OF DIRECTORS

### 4.1. *Appointment and replacement (Art. 123-bis, paragraph 1, letter l) TUF*

In accordance with prevailing laws and regulations applicable to listed companies, shareholders appoint the Board of Directors based on slates and following the procedures established under Article 17 of the By-laws as described below.

Directors are appointed by the Shareholders' Meeting by way of slates presented by eligible parties; the candidates must be listed in numerical order, with no more than 11 candidates. Both genders must be represented on each list, so as to ensure compliance with at least the minimum requirements of current laws and regulations on gender balance <sup>(3)</sup>.

Each party eligible to vote (as well as: (i) eligible parties belonging to the same group, i.e. a group consisting of the individual or company exercising control as defined by Article 2359 of the Italian Civil Code and each subsidiary or joint venture over which said party exercises control; or (ii) participants in a shareholder agreement as defined by Article 122 TUF; or (iii) eligible parties who have a significant connection, as defined by applicable laws and regulations) may submit or be involved in the submission of only one slate in the same way that each candidate may appear on only one slate. Failure to comply will result in ineligibility.

In order to submit slates for the appointment of Directors, parties must be eligible to vote and must hold, individually or together with others, at least 2.5% of the shares with voting rights at the ordinary Shareholders' meeting or representing at least the percentage of share capital required by applicable laws and regulations (which at the date of this Report is at least 1% of the share capital in view of Consob executive decision no. 13 of 24 January 2019).

Ownership of the minimum number of shares required for the submission of slates is, where applicable, determined based on the shares registered for the individual shareholder or group of shareholders submitting jointly as of the date on which the slates are submitted to the Company. Ownership of the number of shares required for the submission of slates must be certified in accordance with applicable laws and regulations. Said certification may be provided to the Company after the submission of the slate so long as it is provided by the date set for publication of the slates by the Company.

In order to be valid, slates must be submitted to the Company headquarters, including by means of remote communication and in accordance with the procedures published in the notice of call, and in a manner that allows for verification of the identity of the party making the submission, at least 25 days (or within a different deadline as per applicable laws and regulations) prior to the date of the Shareholders' Meeting. Slates must be made available to the public at the Company's headquarters, published on the Company's website or by other means envisaged by applicable laws and regulations at least 21 days (or as otherwise required by prevailing legislation) prior to the date of the Shareholders' Meeting.

Together with the slates, eligible parties presenting the slates must also provide any additional declarations and other documentation required by applicable laws and regulations, as well as:

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<sup>(3)</sup> On this point, note that, in line with the provisions of Art. 144-*undecies*.1, paragraph 2, letter a) of the Issuers' Regulation, lists that require the presence of three or more candidates must comply with the gender balance criterion.

- information pertaining to individuals who submitted slates, with information on the total shareholding;
- information on the personal and professional characteristics of the candidates included in the slate;
- a statement whereby the individual candidates irrevocably accept the position (subject to their appointment) and attest, under their responsibility, that there are no grounds for their ineligibility or incompatibility to stand as candidate, and that they meet the professional competence and integrity requirements prescribed by current laws and regulations;
- a statement that the independence requirements set out in the Articles of Association have been met.

Slates for which the obligations described above are not met will be considered null and void.

Each shareholder with voting rights may only vote for one list.

The members of the Board of Directors shall be elected as follows:

- (i) a number of Directors equal to the number of board members, decreased by 1, are selected - in the order in which they appear on the list - from the slate that obtained the greatest number of valid votes; (the “Majority List”). The remaining Director – in the order in which he/she appears on the list - is then selected from the slate that obtained the second highest number of votes and that is not connected in any way, directly or indirectly, with the parties eligible to vote who submitted or voted for the slate from the Majority List (the “Minority List”);
- (ii) if the Majority List does not contain a sufficient number of candidates for the election of the number of Directors to be appointed, according to the mechanism indicated in point (i) above, all the candidates from the Majority List shall be appointed and the remaining Directors shall be drawn from the Minority List receiving the highest number of votes, in the order in which they appear on the list; if necessary, directors shall also be selected from the second most voted minority list, always in the order in which they appear on the list, until the number of Directors to elect has been reached;
- (iii) if the first two slates receive the same number of votes during the Shareholders’ Meeting, an equal number of candidates shall be drawn from each of the slates, in the order in which they appear on the lists, while the remaining Directors, if any, shall be drawn from the slate that obtained the third-highest number of votes and not connected in any way, directly or indirectly, with the shareholders who filed or voted for the slate that received the highest number of votes, always in the order in which they appear on the list. If only two slates are submitted, or are voted for, and they receive the same number of votes, the Director/s shall be elected from both slates in the same amount and, in the event of an odd number of Directors, the oldest candidate among those not already drawn from these slates shall be elected as the last Director;
- (iv) if the number of candidates in the majority as well as minority lists submitted is less than the number of the Directors to be elected, the remaining Directors shall be selected through a resolution made by the Shareholders’ Meeting by relative majority, ensuring compliance with the principles of independence and gender equality prescribed by current law and regulations. In the event of a tie in the number of votes

received, a second ballot for the candidates concerned is to be held by the shareholders in order to break the tie;

- (v) in the event that only one slate is submitted or no slate is submitted, the Shareholders' Meeting shall act in accordance with the procedures set forth in point (iv) above;
- (vi) if the required minimum number of Independent Directors and/or Directors belonging to the least represented gender is not elected, the Directors of the most voted slate that have the highest consecutive number and do not meet the requirements in question shall be replaced by the next candidates on the same slate, who meet the necessary requirements.
- (vii) if, even after applying the substitution criteria referred to in point (vi) above, suitable substitutions have not been found, the Shareholders' Meeting shall resolve by a relative majority. In this case, the substitutions shall be effected starting from the most voted slates and from the candidates bearing the highest number in the order they are listed.

The slate voting procedure described above, applies only where the entire Board of Directors is appointed. In the event of death, resignation, withdrawal or removal from office for any other reason of a Director, or where a Director no longer meets the professional or integrity requirements, the Board of Directors will provide for their replacement, by resolution approved by the Board of Statutory Auditors, in compliance with the principles of minority representation and gender balance, provided that the Directors appointed by the Shareholders' Meeting always constitute the majority of Directors. If, in the above cases, the minimum number of Independent Directors falls below the level required by the laws and regulations in force at the time and/or the number of Directors belonging to the least represented gender falls below the level prescribed by law, the Board of Directors shall replace them, by resolution approved by the Board of Statutory Auditors. Directors appointed in this way shall remain in office until the next Shareholders' Meeting, which will be called upon to confirm their appointment or elect new members of the Board of Directors by appointing other Directors or reduce the number of Directors. The Directors thus appointed by the Shareholders' Meeting shall remain in office until the term of Directors in office at the time of their appointment expires. For the appointment of Directors needed to fill vacancies on the Board of Directors, the Shareholders' Meeting shall resolve by relative majority, ensuring that the principles of independence and gender balance established by current law and regulations are met.

In the event that the majority of Directors appointed by the Shareholders' Meeting cease to hold office for any cause or reason, the entire Board shall be considered terminated and the Directors remaining in office shall be required to convene a Shareholders' Meeting to appoint the new Board of Directors according to the procedure described above.

### ***Succession plans***

In 2018, the Board of Directors, following a preliminary inquiry and proposal by the Remuneration and Appointments Committee, decided to adopt a "Contingency Plan" to govern the actions to take if the Chief Executive Officer decided to leave his/her position earlier (sole Executive Director and also General Manager) than the term of office was scheduled to end, or in the event of uncertain or unexpected events preventing the Chief Executive Officer from exercising his/her functions, in order to ensure the smooth running of the Company during any transitional periods. Additionally, in the final part of the year, an update was made of the profiles and characteristics considered to be relevant to the position

of a top company executive, also in accordance with internal assessments, was begun (and subsequently concluded) - on a more general basis, and with a preliminary inquiry having been carried out by the Remuneration and Appointments Committee.

#### **4.2. Composition (Art. 123-bis, paragraph 2, letter d) TUF)**

##### ***Introduction***

Pursuant to Art. 17 of the Articles of Association, the Company is managed by a Board of Directors consisting of a minimum of 5 (five) and maximum of 11 (eleven) members, who remain in office for a period of up to 3 years and may be re-elected. The ordinary session of the Shareholders' Meeting determines the number of Directors and the term of office within the aforementioned limits; the term of office expires on the date of the Shareholders' Meeting called to approve the financial statements relating to the last year of their appointment. During the term of office, the Shareholders' Meeting may change the number of Board members, always within the limits set out above, by adopting the relative provisions. Any directors appointed during the term of the Board expire at the same time as the term of those in office at the time of their appointment.

The members of the Board of Directors must meet the professional competence and integrity requirements established by current laws and regulations. Furthermore, a certain number of Directors, not less than that established by the laws and regulations in force at the time, must meet the independence requirements established by the Corporate Governance Code (as well as by law).

The composition of the Board shall be gender balanced, in accordance with applicable legal provisions and regulations.

For the sake of full disclosure, it's worth noting that pursuant to Art. 16 of the Market Regulation, since the Company is subject to the management and coordination of Rai, it must have an internal control committee composed of independent directors (in the sense specified in paragraph 1-*bis* of the above article) and any other committees, recommended by the codes of conduct regarding corporate governance issued by stock exchange companies or by trade associations, must also be composed of independent directors (thus, in the Company's case, the Corporate Governance Code for listed companies).

##### ***Composition of the Board***

The Board of Directors in office at the reporting date is composed of nine Directors and its composition is compliant with the applicable laws and regulations regarding gender balance.

The table below provides information on each member of the Board of Directors in office as at 31 December 2018.

<b>NAME AND SURNAME</b>	<b>POSITION</b>	<b>DATE AND PLACE OF BIRTH</b>	<b>DATE OF APPOINTMENT</b>
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Raffaele Agrusti	Chairman	Casarsa della Delizia (PN), 2 February 1957	28 April 2017
Aldo Mancino	Chief Executive Officer	Livorno, 20 October 1964	28 April 2017
Joyce Victoria Bigio	Independent Director	Norfolk, Virginia – United States of America, 23 November 1954	28 April 2017
Fabio Colasanti	Independent Director	Velletri, 19 August 1946	28 April 2017
Anna Gatti	Independent Director	Pavia, 30 January 1972	28 April 2017
Umberto Mosetti	Independent Director	Rome, 6 March 1965	28 April 2017
Donatella Sciuto	Independent Director	Varese, 5 January 1962	28 April 2017
Gian Paolo Tagliavia	Director	Milan, 19 February 1969	28 April 2017
Paola Tagliavini	Independent Director	Milan, 23 October 1968	28 April 2017

All the above-mentioned Directors, appointed by the Shareholders' Meeting of 28 April 2017, were taken from the “majority” list, submitted by the majority shareholder of RAI, apart from Umberto Mosetti who belongs to the “minority” list submitted by Artemis Investment Management LLP, on behalf of and in the capacity of certain investment funds.

A brief curriculum vitae is provided below for each Director, based on the information they have provided, in office as at 31 December 2018. Highlights of their professional and personal details are provided along with their expertise and experience acquired until said date (with the exception of certain information provided as at the date of this Report).

**Raffaele Agrusti.** Born in 1957. Degree in Economics. Chartered Accountant and Auditor. He has held a number of roles at Assicurazioni Generali since 1983, including the position of General Manager and Chief Financial Officer and, until 2013, he was Managing Director of Generali Italia. He has managed and participated in numerous M&A and reorganisation transactions and has been a member of the Board of Statutory Auditors and the Board of Directors of several companies, including in the position of Chairman. These include HDP Holding (industrial investment company), then RCS, Premuda, Toro Assicurazioni, and Banca Generali. From April 2016 to June 2017, he served in the position of Chief Financial Officer in RAI — Radio Televisione Italiana S.p.A., and subsequently, and currently, as the General Manager and therefore also the Chief Executive Officer of ITAS Mutua. He has been a Cavaliere al Merito of the Italian Republic since 2013. He has been an (independent) director of IVS Group S.A. since May 2018.



**Aldo Mancino.** Born in Livorno in 1964, he earned a degree in Management Engineering from Politecnico of Milan in 1991. He joined Italstrade S.p.a. in 1992 as Assistant to the Purchasing and Logistics Manager. From 1994 to 1995 he managed the Purchasing and Production department at ANSA Agency, where in the two following years he was appointed to the position of Manager of Strategic Planning. In 1998, he joined RAI — Radiotelevisione Italiana S.p.A. as Services Offer Manager of the Broadcasting and Diffusion Division for the Group. Since 2000, the year of the merging of the Broadcasting and Diffusion Division of RAI into Rai Way S.p.A., he was responsible for the Sales Management department of the company, focusing specifically on business development and marketing of services, and also assuming, since 2006, the responsibility for the RAI/Rai Way service agreement. In 2007, he was appointed to the position of General Manager — for which he was confirmed for two additional terms, in 2012 and in 2014. In this position he was responsible, inter alia, for overseeing the RAI digital terrestrial switch-over.

**Joyce Victoria Bigio.** Born in Norfolk, Virginia, USA, she earned a degree in Business and Economics with a major in Accounting from the University of Charlottesville (USA) in 1976. From 1976 to 1986, she worked in Arthur Andersen & Co., in Washington and Milan, where she was later promoted to Senior Audit Manager. Between 1986 and 1990, she was responsible for the implementation and preparation of the management controls at the investment bank Euromobiliare S.p.A., in Milan. In 1990, she joined the Waste Management Group, located in London and Milan, first as Finance Manager for the European reporting and later as Merger & Acquisition Controller. After three years, starting in 1995, in the position of General Manager for the American International Bakeries in Milan, she took, in 1998, the position of Financial Director and member of the Board of Directors of the Italian and Swiss subsidiaries of Sotheby's auction house. In 2002, she established International Accounting Solutions S.r.l. of which she is currently a shareholder and Managing Partner. She was also a director and independent non-executive director of Fiat S.p.A., and a member of the risk and control committee and appointments committee until the date the merger of between Fiat S.p.A. and Fiat Investments N.V. took effect (which would take over the unitary management pursuant to Italian law of Fiat Chrysler Automobiles N.V.) on 12 October 2014. She was independent director of Gentium SpA, a pharmaceutical company already listed on the Nasdaq, and Simmel Difesa SpA. She has been an independent director and member of the Control and Risks Committee of Prysmian S.p.A. since 12 April 2018.

**Fabio Colasanti.** Born in Velletri (Rome) in 1946, he obtained a degree in Economics at Sapienza University of Rome and subsequently studied economics for a year at the College of Europe in Bruges (Belgium). After holding various positions in the telecommunications company Italcable SpA based in Rome (later absorbed by Telecom Italia SpA), he was Officer of the European Commission in Brussels from 1977 to 2010. In particular, from 1977 to 1984 he worked as an economist in the Directorate General for Economic and Financial Affairs. Between 1985 and 1987, he was a member of the Group of the Spokesman of the European Commission, in charge of economic and monetary affairs, regional policy, credit, investment and small and medium-sized enterprises. From 1988 to 1995 he was Head of the Economic Outlook and Macroeconomic Policy Analysis units at the Directorate General for Economic and Financial Affairs of the Commission. From 1996 to 1999, he was Director in the Directorate General for Financial Statements. In 1999 he also held the position of Deputy Chief of the Cabinet of Commission President Romano Prodi. Between 2000 and 2002 he was general manager of the Directorate General for Enterprise, while from 2002 to 2010 he was general manager of the Information Society and Media Directorate General for the Commission. From April 2010 to March 2016, he was Chairman of the International Institute of Communications, based in London.

**Anna Gatti.** Born in Pavia in 1972, she graduated in Business Administration from the Università "Bocconi" in Milano in 1997, where she then got a Ph.D. in Business Administration and Management in 2001. In 2001, after two years spent as a visiting student, she was Post-Doc in Organizational Behaviour at the Institute of International Studies at Stanford University (California, USA). She was also a visiting professor at the Department of Economics of the University of Stanford from 2004 to 2005. Later, she was Research Associate at the University of Berkeley (California, USA) and in 2008 she obtained a Ph.D. in international research in Criminology at the Università degli Studi di Trento, in consortium with the University of Oxford (UK), Rotterdam (Netherlands) and Washington (USA). She is a member of the Register of Professional Journalists. She has held various positions at leading, and listed, companies, in Italy and abroad, including executive level positions in the areas of Online Sales and Operations (2007-2011) and Products (2011) for Google/YouTube in Mountain View (California, USA); she was Senior Director of Advertising and New Monetization at Skype/Microsoft in Palo Alto (California, USA); Independent Board Member at Buongiorno S.p.A., a company listed in the STAR segment (2007-2012). She was also Senior Economist for the World Health Organisation from 2002-2004 and partners myQube - Telecom Italian Venture Fund from 2004 to 2007. In 2012, she co-established Soshoma, a company known as Loop AI Labs (San Francisco, California, USA) of which she was CEO until 2015. Independent Member of the Board of Directors at Lastminute Group, a company listed on the Swiss market.

**Umberto Mosetti.** Born in Rome in 1965, attorney. He earned a Law Degree with honours in 1987, and then a Master's Degree in Law from the Columbia University School of Law in 1988. Between 1986 and 2000 he joined Borsa of Consob (1986-1987); the legal office Stroock & Stroock and Lavan of New York (1988-1989); the Corporate Finance Department of Morgan Stanley & Co. in New York (1989-1990) and London (1990-1991); the Legal, Holdings and M&A department of Finmeccanica St Sgs-Thomson Microelectronics (1992-1995) and was Managing Partner at ICFA International Corporate Finance Advisers (1996-2000). From 2001 to 2006, he was a partner in Deminor International, responsible for Italy for Deminor Investment Management and CEO of Deminor Italia. From 2006 to 2013, he represented Amber Capital in Italy and was Vice Chairman of the Board of Directors and a member of the Investment Committee of Amber Capital Lp and Amber Capital Italia Sgr. He was appointed Independent Director and member of the Internal Supervisory Committee of Vincenzo Zucchi S.p.A., Independent Director of the Board of Directors of Vianin Lavori S.p.A. and finally representative of savings shareholders of FIAT S.p.A. Since May 2012, he has been an Independent Member of the Board of Directors (and member of the Appointment and Remunerations Committee, Dispute Committee and Control and Risks Committee (from 2012 to 2016) of Parmalat S.p.A.; he was an Independent Member of the Board of Directors of Sorigenia S.p.A. between March 2015 and April 2018. He was professor of Private Law of Economics at the Economics Department of the University of Siena (1999-2006) and of Corporate Governance at the Law School of Turin (2008-2011) as well as a Visiting Professor of Law and Corporate Governance at the University of Western Ontario (2007) and Research Assistant at the Columbia University School of Law in New York (1988-1989). He is the author of several publications in the area of corporate governance and regulations of financial markets and has spoken at several academic conventions and professional international seminars. He is chairperson of Italian Independent Investment Partner SGR.

**Donatella Sciuto.** Born in Varese in 1962. She is Deputy Vice Chancellor at Politecnico of Milan and Professor of Information Processing Systems in the Electronics, Information and Bioengineering Department. She was appointed IEEE Fellow for her scientific contribution in the "embedded systems design". She earned a degree in Electronic Engineering from

Politecnico di Milano and a PhD in Electrical and Computer Engineering from the University of Colorado in Boulder. Since 2013, she has been a member of the Governing Board of the Bank of Italy and Chairman of the Supervisory Board of the Milan subsidiary. She was Deputy Chairman of Finance for the Council on Electronic Design Automation of IEEE from 2008 to 2010, and subsequently President Elect and President from 2011 to 2013. She is an Independent Member of the Board of Directors of Avio S.p.A. She was appointed Chairperson of the Supervisory Board of the Human Technopole Foundation in 2018.

**Gian Paolo Tagliavia.** Born in Milan in 1969, he graduated in Economics and in 1995 joined Publitalia '80 where he started his career in the position of Assistant of the Sales Director for Lombardy. In 1999, he joined MTV Pubblicità in the position of Account Director and he was assigned the responsibility for the creation and development of sales. In 2001, he joined MTV Italia as Head of Interactive, where he was responsible for content, product and sales of digital advertising for the Digital Department. In 2004, he joined La7 as Head of Digital where he was responsible for the set up and development of the Digital Department. In 2006, he took the position of Senior Vice President of Digital Platforms at Telecom Italia Media and was responsible for the digital activities of La7, MTV and the pay platforms of Telecom Italia: LA7 Cartapiù on the digital terrestrial platform and RossoAlice on IPTV. In 2008, he became CEO of MTV Italia and President of MTV Advertising, developing the activities of MTV, Nickelodeon and Comedy Central in Italy. In 2013, he was CEO for IPG Mediabrands and President of IPG Mediabrands Spain. He joined RAI - Radiotelevisione Italiana in 2015 reporting directly to the General Manager where he was responsible for defining the strategy for digital offerings. In 2016, he was promoted to Chief Digital Officer. He was been President and CEO of Rai Com between March 2016 and January 2019. He has been the Chief Executive Officer of Rai Pubblicità since January 2019. He is also a member of the Board of Directors of Auditel S.r.l.

**Paola Tagliavini.** Born in Milan, in 1968, she earned a degree summa cum laude in Business Economics from Università Bocconi. She is a certified auditor. She is a Professor in the Accounting Department of Università Bocconi, where she is teaching “Corporate Auditing” (advanced class) for the master programs of “Internal Audit, Risk and Corporate Compliance” and “Enterprise Risk Management” for the masters programs in Accounting, Auditing and Controls, and “Financial & Enterprise Risk Management” for the masters program in Corporate Finance. She is also co-Director of the ERM Lab of SDA Bocconi and a professor of SDA classes in risk management. She has performed teaching and research activities from 1993 to 2003 at Università Bocconi on subjects such as Corporate Protection, and at the SPACE Centre of the same University. She is the author of several books in the area of Risk Management, she has been Visiting Researcher at the Department of Insurance & Risk Management of the Wharton School of the University of Pennsylvania. She has twenty years experience in risk management having managed specialist teams at Marsh, Oliver Wyman, AON and currently at DGPA & Co. She is a member of Boards of Directors and Boards of Statutory Auditors. She holds the office of Independent Member of the Board of Directors in the companies Save S.p.A., Eurizon Capital SGR, and in the listed companies Interpump S.p.A. and BE, Think, Solve, Execute S.p.A. (in these last two, also covering the role of chairperson of the control and risk committees) and statutory auditor of RCS MediaGroup S.p.A. (listed company). She is Chairwoman of the Supervisory Board, ex Legislative Decree no. 231/2001.

The Board of Directors held twelve meetings in 2018, with an average duration of 3.26 hours.

For more information about the members of the Board of Directors in office in 2018 (or parts thereof), and in particular on the attendance at the board meetings held during the

respective periods in office, see TABLE 2 attached to this Report (which also provides information on the attendance at the meetings of the Board of Directors Committees by its members).

Two meetings of the Board of Directors have been held in 2019 as at the date of this Report.

#### **4.2.1. Maximum number of offices held in other companies**

Directors shall accept and remain in office when they deem that they can devote the necessary time to the diligent performance of their duties, also in light of participation in Board committees, and taking into account the number of positions held as director or statutory auditor in other companies listed on regulated markets (including foreign markets) or unlisted companies, in financial, banking, insurance companies or in large companies, as well as any other professional activities they may be involved with.

In this regard, as at the date of this Report, according to the Regulation adopted by the Company's Board of Directors, a maximum number of five (5) positions as director or statutory auditor may be held in other companies listed on regulated markets, including foreign markets, or in financial, banking, insurance companies or in large companies, compatible with the proper performance of Director of the Company, bearing in mind that for executive directors, the aforementioned positions may be held only when they are of a non-executive nature. In calculating the number of offices held, those held by directors in groups that are part of the RAI Group are not counted. Specifically, for purposes of Criteria 2.C.6. of the Corporate Governance Code, the Chief Executive Officer, Mr. Aldo Mancino, engineer, does not hold, on the date of this Report, nor has he previously held, the role of director in other issuers where the Chief Executive Officer is a director of the Issuer (as well as directorships and audit positions in any other company).

Following their appointment and before accepting a directorship, Directors must notify the Board about any directorship, management or audit positions held in other companies that have a limit on the number of board mandates.

If the limit is exceeded, the Board will assess the situation in the interest of the Company, and then call upon the director to take appropriate action.

Based on information received from Directors, the Board shall disclose on an annual basis the directorships or positions as statutory auditors held by the Directors in the above-mentioned companies. The composition of the Board of Directors in office on the date of this Report, as well as throughout 2018, is consistent with the above-mentioned limits.

Further evaluations on the maximum number of offices may be made by the Board also on the basis of any recommendations made by the Remuneration and Appointments Committee.

#### **4.2.2. Policies regarding diversity in the composition of the Board of Directors and control bodies**

With reference to the policies regarding the composition of the Boards of Directors and control bodies, set forth in Art. 123-*bis*, paragraph 2, letter d-*bis*) TUF, the following should

be noted.

As regards diversity in terms of gender, the Articles of Association transpose the law directives that ensure a balance of genders in the composition of the Board of Directors and of the Board of Statutory Auditors. The current Board of Directors is in fact composed of four women and five men whereas the Board of Statutory Auditors is composed of two women (including the Chairperson) and one man (and the alternate auditors are one woman and one man).

With reference to diversity as regards training and professional expertise, the Company has adopted the Corporate Governance Code and therefore, pursuant to the provisions of the Criterion 1.C.1. letter g) thereof, it carries out, at least once a year, an assessment on the operations of the Board and of its internal committees as well as on their size and composition, also in relation to the diversity criteria, and therefore taking also into account elements such as, in particular, professional characteristics, expertise, also managerial, and the gender of its members, as well as the seniority of offices held. In terms of the self-assessment performed in March 2019 with reference to 2018, the Board of Directors has formulated a positive assessment on the overall qualitative composition of the Board and its Committees with reference to the management expertise and professionalism of its members, as well as to the Board's size. This is also in accordance with what had already been expressed the previous year upon the election of the board and in order to implement the specific recommendation in the Corporate Governance Code in relation to the size of the Board and the managerial and professional figures that would be advisable to have on the board. With regard to the qualitative aspects, it was agreed that the Board of Directors should include some professional and managerial profiles with strategic expertise, also in relation to innovation and business judgement, in addition to all the skills and areas of specialisation generally recommended by the Corporate Governance Code, such as to enable their effective participation in the work of both the Board itself and its various internal Committees <sup>(4)</sup>. The diversity of the members of the Board of Directors is confirmed, inter alia, and in addition to the differences in age and positions as noted below, by the presence of some members who have acquired their expertise at international and/or academic levels.

As regards the Committees internal to the Board of Directors, it should be noted that, as set forth in the Corporate Governance Code: (i) at least one member of the Remuneration and Appointments Committee has acquired adequate expertise and experience in financial or remuneration policy matters on a Remuneration and Appointments Committee; and (ii) at least one member of the Control and Risks Committee has acquired an adequate expertise in accounting, finance and risk management.

With reference to the characteristics of the members of the Board of Directors and Board of Statutory Auditors, the requirements, as applicable, of integrity, professionalism and

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<sup>(4)</sup> More specifically, it was provided that: (a) the managerial profiles should have: (i) have had experience in positions of responsibility in companies of a size and/or complexity at least comparable with those of Rai Way; (ii) have had experience in the broadcasting business and telecommunications in general; (b) the professional profiles should (i) have experience in a position of responsibility in professional firms, consulting companies or other organisations, either public or private; (ii) have performed professional activities reflecting the activities carried out by the companies; (iii) have acquired expertise in the economic/financial areas and/or in the legal area, also as regards the areas of governance and corporate controls, and/or in the areas of digital innovation and technology and/or in the sustainability area. As regards the possible inclusion of academic profiles within the Board of Directors, it has been specified that these profiles should possess, inter alia, skills and expertise deemed relevant to the Company's activities or functional to them.

independence must be met, and the provisions regarding incompatibility and/or forfeiture set forth by the law and the corporate Articles of Association apply since it was not deemed necessary to set out additional guidelines in this regard.

Finally, the Board of Directors in office in 2018, and as of the date of this Report, comprises members with 33% with an age of between 30 and 50 years, and the remaining 67% with an age above 50 years, while, as regards the seniority of office held (refer to what was indicated for each Director in TABLE 2, attached to this Report) four of the nine members were part of the Board of Directors in office on the previous Board.

#### **4.2.3. Induction Programme**

In 2018, and until the date this Report was approved, some initiatives were undertaken for the purpose of induction. In addition to the detailed information reports on Company activities provided in the weeks following the Shareholders' Meeting of 23 April 2018 to the Chairperson of the Board of Statutory Auditors appointed for the first time as a member of the Board of Statutory Auditors - there were sessions covering in-depth analyses of the strategic aspects of the Company activities (including the technical aspects relating to the developments of updated network structuring regulatory processes and those relating to the assignment of frequencies to broadcast radio-television signals) and regulatory and self-governance issues, organisational issues and some aspects on the policies applied to socio-environmental issues and related to the risk management and control systems, generally covered during Board meetings or internal committee meetings and in some cases, with attendance and contributions by Company executives, based on their specific expertise on some specific topics.

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

Pursuant to current regulations for companies with shares listed on regulated markets and in accordance with the recommendations of the Corporate Governance Code, the Board of Directors plays a central role in the Company's governance system.

The Board adopts an organisation and modus operandi which enables it to perform its functions in an effective manner. It meets, in accordance with the Articles of Association, at the Company's registered office or elsewhere in Italy or abroad, usually on a quarterly basis, and, at any rate, any time it is deemed necessary by the Chairman, or in the event that he/she is absent or unable to act, by the individual replacing him/her, or when a written request is made to the Chairman by the CEO or at least two Directors or the Board of Directors or Board of Statutory Auditors, to convene a meeting. The Board assesses the adequacy and effectiveness of the Board Regulations on an annual basis (which were also confirmed for 2018, with some clarifications).

Generally, the call notice is sent to all Directors and Standing Auditors at least three days before the meeting. In urgent cases, this period may be reduced to one day. The notice of call should include, except in cases where this is not possible due to confidentiality issues, the items on the agenda so that the attendees can read the issues ahead of time and come prepared to the meeting. As a rule, documentation supporting the proposals at hand and any other information that may be required so the Directors are able to express an informed opinion on the issues being decided, are provided to the Directors at least 48 hours before

the meeting. When, in specific cases and as an exception, it has not been possible to provide pre-meeting information within the above deadline, the Chairman ensures that the necessary time is devoted to an effective discussion on the items on the agenda during the meeting. As regards 2018 and as at the date of this Report, the Directors and Auditors were sent and given access to support documentation, also in electronic form, in relation to the items on the agenda and, in particular, subject to approval, within the time limit indicated above, with the exception of special cases, in relation to which the necessary time was devoted to effective discussion of the items on the agenda at the meetings (or dealt with, in whole or in part, at subsequent meetings); it was agreed that these cases were exceptional. This documentation consists normally of summary notes, presentations or tables, in addition to, in some cases, especially as regards accounting documents for the period, the draft of the entire document at issue.

The Chairman of the Board of Directors, also upon request of one or more Directors, may request to the CEO that certain executives of the Issuer, managers in charge of the pertinent management areas related to the Board agenda, attend the meetings of the Board, in order to provide appropriate supplemental information on the items on the agenda. In 2018 and until the date of approval of this Report, the meetings of the Board of Directors were attended by some key management personnel for the Company as well as by the Chief Financial Officer and the Chief Human Resources Officer when some topics related to their respective organisational expertise were being discussed, and on some occasions, they were attended by the heads of the Corporate Development and Business Development departments. The Secretary of the Board attended all Board meetings, in certain cases also in his/her capacity as Manager of the Legal and Corporate Affairs Department.

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Article 23 of the Articles of Association establishes that the Board of Directors shall be solely responsible for managing the company and shall work with the diligence required in accordance with the nature of the duty and based on the specific skills of each of its members. In particular, the Board of Directors shall be vested with all powers for the ordinary and extraordinary management of the Company, and the right to carry out all actions considered necessary to achieve the corporate purposes, except for those powers that are reserved by law to the Shareholders' Meetings.

Moreover, Art. 23.2 of the Articles of Association provides that, in addition to those duties and powers that cannot be delegated by law, the Board of Directors is responsible for passing resolutions - which cannot be delegated - concerning:

- general guidelines, as well as adoption and amendment of the Company's business, strategic and financial plans;
- appointment and dismissal of the General Manager and Chief Financial Officer;
- assessments on the general performance of the Company.

The Board of Directors is also vested with the power to resolve on:

- (i) opening and closing of secondary offices;
- (ii) reduction of share capital in the event of the withdrawal of one or more shareholders;
- (iii) updating the Articles of Association to meet regulatory provisions;

- (iv) mergers and de-mergers in the cases listed in Articles 2505, 2505-*bis* and 2506-*ter* of the Italian Civil Code;
- (v) indicating which of the Directors may represent the Company;
- (vi) transfer of the headquarters within Italy.

Lastly, it is the exclusive task of the Board to report to the shareholders at the Shareholders' Meeting.

In line with the requirements of Criteria 1.C.1., letter c) of the Corporate Governance Code, the Board of Directors has assessed the adequacy of the organisational, administrative and accounting structure of the Company, especially with regard to the internal control and risk management system, and in this case making use of the preliminary activities of the Control and Risks Committee.

The Board has evaluated the general performance of the Company, paying particular attention to the information received from the delegated bodies and periodically, at least on a quarterly basis, comparing the results achieved with those planned, as recommended in Criteria 1.C.1., letter e) of the Corporate Governance Code;

The Board has established general criteria to identify transactions having a significant impact on the Issuer's strategies, profitability, assets and liabilities and financial position, however establishing that if there are no subsidiaries, they are all transactions that do not fall within the delegated management powers assigned to the Company.

The Board carried out, with reference to its period in office in 2018 and for the purposes of the provisions set forth in Criterion 1.C.1., letter g) of the Corporate Governance Code, a self-evaluation of the size, composition and performance of the Board and its committees, as well as the contribution made by the Directors, also in relation to elements of diversity such as the professional competence, experience (including managerial experience), and the gender of its members, as well as the number of years of seniority as director. As regards the relative process, as previously defined by the Board of Directors, it was carried out with the help of the Secretary of the Board of Directors, mainly by filling out a questionnaire previously shared at board level (as noted above, mainly comprising independent Directors). The overall results of the process, prepared under the supervision of the Chairperson of the Board of Directors and the (independent) Directors who chair the two board committees, were therefore negotiated by the Board, which had already been informed of the communication of the Chairperson of the Corporate Governance Committee of 21 December 2018, pursuant to Part 18 of this Report. Once the negotiations were concluded, there was a positive overall assessment given on the size and composition - from the viewpoint of the number of members and the overall balance of skills and experience ensured (in this case, however noting in particular how the development of significant markets and technology could also suggest developing other experience/skills besides the previously considered area of telecommunications, in the media sector), and the constant significant presence of Independent Directors (each of whom takes part in a consulting board committee) - and with reference to the function, especially with respect to the contents of the disclosures of management activities provided to the Board (with certain indications of possible further improvements, in general, on the timeframes in which to send the documentation) and the function carried out by the Chairperson. Other areas that could be improved were also noted, and especially spending more time on dealing with strategy-related scenarios, including prospective (in addition to updates on the general knowledge of the



Board) and further developments and strengthening of the activities focused on risk management.

The Shareholders' Meeting did not authorise any exception to the prohibition on competition pursuant to Art. 2390 of the Italian Civil Code.

#### **4.4. Delegated Bodies**

##### **4.4.1. Chief Executive Officer**

Pursuant to Art. 24 of the Articles of Association, the Board of Directors may appoint a Chief Executive Officer (CEO) and establish that person's powers and responsibilities.

As at the date of this Report, and for all of 2018, this position has been held by Mr Aldo Mancino, engineer.

In His capacity as Chief Executive Officer, Mr Aldo Mancino, engineer, the following was conferred by the Board of Directors (and were in place as at the date of this Report, and for all of 2018, apart from an update which happened in 2018 regarding new regulations on the protection of personal data):

- all the management and representation powers pertaining to the ordinary management of the company, in addition to the following:
  1. to represent the Company, within the scope of his or her powers, and to sign on the Company's behalf vis-à-vis public and private entities, courts and legal authorities, tax administrations and independent authorities;
  2. to implement, within the scope of the powers conferred to him, the resolutions adopted by the Board of Directors;
  3. to execute, amend and resolve on purchases and sales acts, agreements and contracts, in all cases on those related to the purpose of the company including, but not limited to, agreements for the purchase, sale, exchange, lease of fixed and movable, tangible and intangible assets, to the establishment and acquisition of partial usage rights on these assets, of contracts related to intellectual properties, trademarks, or patents, of contracts related to the supply, marketing and provision of services, of transactions related to the afore-mentioned acts, agreements and contracts, with the understanding that the value of the afore-mentioned acts, agreements and contracts must not exceed, individually or jointly with any other agreements, Euro 2,000,000.00 (two million);
  4. to hire and fire personnel, if it is possible to terminate the respective employment contracts, including transactions and related agreements; except for hiring, firing or terminating the employment of key management personnel, as defined by the Board of Directors; to manage personnel, including, but not limited to, authorising promotions, transfers, changes of assignments and remunerations, with the only exclusion being the promotions of key management personnel, as defined by the Board of Directors, as well as to manage the same personnel with the express power to undertake all relevant actions required by the law, in particular with regard to trade unions, insurance, social security and taxation, and

to see to the enforcement of collective employment contracts;

5. to execute, amend and terminate contracting and independent work agreements, including those related to the assignment of advisory and/or technical/professional services to outside experts, in the maximum amount of € 500,000 (five-hundred thousand) per agreement or assignment, or for multiple agreements or assignments, within the same financial year; to represent the Company before union associations and organisations, and before the competent bodies for matters related to labour agreements and controversies, with the option to negotiate and settle conditions and disputes;
6. to conduct all short- or medium-term financial and banking transactions in which the Company acts as payer or payee, and to sign the relevant contracts with third parties (in particular with banks and credit institutions, financial institutions and post offices), including but not limited to deposits, current accounts, credit facilities, bank advances, discounts, loans and other financing; to execute transactions from the Company's accounts within the limits of existing balances and credit lines; and to grant loans to investee companies in relation to their operating or financial needs;
7. to issue, accept and endorse credit instruments; to collect on promissory notes; to issue (or have issued), on behalf of the Company or its investees, binding letters of patronage, guarantees or sureties; to establish, register and renew mortgages and liens; to allow the cancellation or limitation of mortgages on third-party property established in the Company's favour; and to forgive mortgages and subrogations, including legal mortgages, and to take all other action concerning mortgages taken out by third parties in favour of the Company; to conclude, amend or terminate mortgages provided that the total amount of the aforementioned transactions does not exceed €1,000,000.00 (one million) either individually or in combination with other transactions;
8. to represent the Company in the Shareholders' Meetings for other companies or foundations, associations, consortiums or other types of entities in which the Company has an interest;
9. to represent the Company in all such cases/disputes in Italy and abroad, before the ordinary or special legal authorities of any instance or degree and before national and international arbitration boards, including the power to delegate individual cases/disputes to attorneys-in-fact as provided for by signed powers of attorney; to file and pursue actions and legal petitions in any civil, administrative, criminal or arbitrating venue, including by taking civil or administrative proceedings for all orders and levels of administrative and legal proceedings, and actions of enforcement, voiding, cassation and constitutionality, as either plaintiff or defendant, by intervention or third-party challenge, and in this regard to retain or dismiss counsel, litigators, expert witnesses, company representatives, referees and arbitrators, electing domicile; sign arbitration settlements and arbitration clauses, waive and/or accept waivers of the legal action or its outcome, and respond to informal or formal questioning regarding the facts of the case or dispute; and to file petitions, rebuttals, administrative appeals and complaints with the central or local administrative authorities or independent watchdog authorities; to settle individual cases/disputes when the resources needed of the transaction are no higher than

€1,000,000 (one million);

10. to comply with all tax obligations set by law, including by signing all statements or returns to be filed with the tax authorities; to retain and pay in the withholding tax required of the Company in its role as withholding agent; and to represent the Company in its dealings with the authorities for the negotiation and settlement of any tax issue whatsoever;
  11. to fulfil all of the Company's obligations as data controller pursuant applicable European provisions (more especially, EU Regulation 2016/679) and/or national provisions, by exercising the broadest decision-making powers in this regard, with particular reference to the security policy;
  12. to assume the role of employer in matters pertaining to safety in the workplace and employees' health, exercising the related powers and fulfilling all of the Company's obligations in this regard;
  13. to appoint and revoke general or special proxies and attorneys-in-fact, for individual acts or given categories of act, within the scope of the powers assigned;
- the following tasks and functions:
1. to design multi-annual strategic, development and business plans to submit to the approval of the Board of Directors ensuring their implementation; to propose the general direction of the business, sales policies, production and purchase of goods and/or services, as well as all initiatives that he will deem useful to the interest of the Company;
  2. to draft budgets and financial statements and submit them to the Board of Directors;
  3. within the scope of the corporate organisation set out by the Board of Directors, define the functional structures of the Company and in general ensure that the organisational, administrative and accounting structure is adequate for the corporate nature and size of the Company, notwithstanding the powers attributed to the Manager in charge of preparing the corporate accounting documents pursuant to the applicable provisions of the law;
  4. to define the main principles of personnel policy in compliance with the guidelines and directives set forth by the Board of Directors, notwithstanding, also exercising the powers conferred in the area of personnel management, all aspects within the scope of competence of the Board of Directors itself and its internal Committees as regards the remuneration policy of key management personnel and activities that concern the latter;
  5. to arrange for and implement the necessary direction and coordination activities of the subsidiaries that are subject to them, either directly or indirectly, with reference to ordinary administration activities and in all cases concerning the areas related to those powers, tasks and functions assigned with regard to the Company's activities, by informing periodically the Chairman about the activities carried out;

6. to implement, while exercising the conferred powers, financial policy directives approved by the Board of Directors, and to report, at the next meeting of the Board of Directors, on the financing transactions carried out by virtue of the assigned powers;
7. to propose to the Board of Directors the designation of Directors, Auditors and Independent Auditors who can be appointed in companies or foundations, associations, consortiums or other entities in which the Company has an interest.

#### **4.4.2. Chairman of the Board of Directors**

Pursuant to Art. 18 of the Articles of Association, if the Shareholders' Meeting has not done so, the Board of Directors elects a Chairman from among its members and, if it wishes, a Vice Chairman to serve as deputy. The Chairman, and the Vice Chairman if appointed, remains in office throughout the term of the Board of Directors.

As better specified below, the Chairman of the Board of Directors is not principally in charge of Rai Way's management and is not the Company's controlling shareholder.

In accordance with the Articles Of Association, the Chairman represents the Company and signs on its behalf, including before the courts; presides over the Shareholders' Meeting (with full powers to govern its proceedings); and calls and presides over meetings of the Board of Directors.

Also, in accordance with the Board Regulations, the Chairman:

- calls and presides over meetings of the Board of Directors, coordinating the functions of the administrative body;
- ensures that adequate information concerning the agenda items, in terms of both quality and quantity, is provided to all Directors so that they are in a position to make informed decisions;
- organises and coordinates the work of the Board of Directors.

In 2018, the position of Chairman of the Board of Directors was last held by Mr Raffaele Agrusti, also as at this reporting date, pursuant to the resolution approved by the Shareholders' Meeting on 28 April 2017.

The Board of Directors has approved, on 28 April 2017, subsequently to the aforementioned appointment resolution issued by the Shareholders' Meeting at the same date, to confer to the Chairman of the Board of Directors, Mr Raffaele Agrusti, as necessary and notwithstanding the corporate representation and the functions set forth for this office in the Articles of association and in the provisions of the law, the following representation powers:

1. to represent the Company in Italy and abroad in its dealings with national and local governments, public and private entities and natural and legal persons, in order to exercise the powers necessary to take all actions pertinent to the corporate purpose;
2. to represent the Company (as plaintiff or defendant) in all cases/disputes in Italy and

abroad, before the ordinary or special legal authorities of any instance or degree and before national and international arbitration boards, including the power to delegate individual cases/disputes to attorneys-in-fact as provided for by signed powers of attorney; to file and pursue actions and legal petitions in any civil, administrative, criminal or arbitrating venue, including by taking civil or administrative proceedings for all orders and levels of administrative and legal proceedings, and actions of enforcement, voiding, cassation and constitutionality, as either plaintiff or defendant, by intervention or third-party challenge, and in this regard to retain or dismiss counsel, litigators, expert witnesses, Company representatives, referees and arbitrators, electing domicile accordingly; to settle individual cases/disputes, sign arbitration settlements and arbitration clauses, waive and/or accept waivers of the legal action or its outcome, and respond to informal or formal questioning regarding the facts of the case or dispute; and to file petitions, rebuttals, administrative appeals and complaints with the central or local administrative authorities or independent watchdog authorities;

3. to represent the Company, also through its own designated subjects, in the establishment of companies, associations, consortiums, foundations and other entities as well as at the Shareholders' Meetings of foundations, associations, consortiums or other entities in which the Company holds an interest; to appoint and to revoke delegated parties and legal representatives, general or special, for the execution of specific acts or single acts, within the scope of the afore-mentioned powers.

The Board of Directors has also assigned to its Chairman, Mr Raffaele Agrusti, the following:

- i) to oversee and monitor, as regards the application of the set forth provisions in the area of corporate governance of the companies and secretary activities for the Board of Directors;
- ii) to oversee, in coordination with the CEO, institutional relationships;
- iii) to hold the role of primary contact person in relationship with the supervisory authority under Legislative Decree no. 231/2001;
- iv) to participate, in agreement with the CEO (as Designated Director) in the formulation of proposals regarding the appointment, revocation and remuneration of the manager in charge of internal audits and the supervision of the activities carried out by the latter.

The above-mentioned powers and duties were in place for all of 2018, and up to the date of this Report.

#### **4.4.3. Executive Committee**

Throughout 2018 and as at the date of this Report, no Executive Committee has been established.

#### **4.4.4. Board Briefing**

Pursuant to Art. 19 of the Articles of Association and the Board Regulations, and in accordance with Criteria 1.C.1, letter d) of the Corporate Governance Code, a Board of

Directors meeting is called, usually at least once every three months. It is coordinated and regulated by the Chairman of the Board of Directors or by his/her representative, who is also responsible for ensuring that the Directors are provided with timely and adequate information so as to enable the Board to take its decisions with due diligence.

In particular, the Board Regulations establish that the flow of information amongst and within corporate bodies is an essential condition for ensuring the achievement the objectives of efficient management and effective control of the Company. Therefore, continuous and comprehensive reporting to and within the corporate bodies is ensured through information flows that allow the correct, timely and comprehensive flow of information, whilst respecting the responsibilities of the various bodies with supervisory and control functions. In relation to the items on the agenda, supporting documentation is provided to the Directors and Auditors containing the information necessary to allow them to knowledgeably discuss the issues to be resolved.

Article 24 of the Articles of Association provides that the decisions made by those with delegated powers must be disclosed to the Board according to the procedures and frequency (at least quarterly) established by the Board. Furthermore, the delegated bodies must report in a timely manner and at least on a quarterly basis to the Board of Directors and the Board of Statutory Auditors on the activities carried out, the general performance of the Company, the business outlook, as well as on any transactions that have a significant impact on the results of operations and financial position or due to their specific characteristics – with particular regard to those that could potentially give rise to a conflict of interest - carried out by the Company.

During 2018, the Board of Directors was informed, at least on a quarterly basis, on the exercise of delegated powers during the Board of Directors meetings.

#### **4.5. *Other Executive Directors***

In 2018 (and as at the date of this Report) in addition to the CEO in office, no other Executive Directors were in office in compliance with the Criterion 2.C.1. of the Corporate Governance Code.

#### **4.6. *Independent Directors***

The Board of Directors in office from the Shareholders' Meeting of 28 April 2017 and until the date of this Report consists mainly of Independent Directors (as also indicated in Parts 6, 7 and 9 below, pursuant to Art. 16 of the Market Regulation, Committees established within the Board of Directors pursuant to the Corporate Governance Code must be composed of Independent Directors only).

This Shareholders' Meeting has appointed the following six Directors, qualified as independent members in accordance with the legal requirements and the requirements of Article 3 of the Corporate Governance Code:

Joyce Victoria Bigio, Fabio Colasanti, Anna Gatti, Donatella Sciuto and Paola Tagliavini (belonging to the “majority” list, submitted by the majority shareholders of RAI) and Umberto Mosetti (belonging to the “minority” list submitted by Artemis Investment

Management LLP, on the behalf and in the capacity of manager of some investment funds).

The evaluation of the independence of the above non-executive members of the Board of Directors, pursuant to Art. 3 of the Corporate Governance Code and Art. 148, paragraph 3 TUF, was carried out during the Board of Directors meeting of 21 March. 2018 (also in compliance with Criteria 3.C.4 of the Corporate Governance Code) in the presence of the Board of Statutory Auditors (which did not formulate comments), based on written statements issued by the interested parties and the information contained therein, and what was found with regard to the Company. This assessment was renewed in the Board of Directors meeting called for the approval of this Report.

On accepting the appointment, as well as at the time of the renewal of the Board evaluation, the Independent Directors of Rai Way agreed to promptly notify the Board of Directors of any changes that may have occurred, including in regard to satisfying independence requirements.

Pursuant to Criteria 3.C.6 of the Corporate Governance Code, the Independent Directors met once in 2018, without the presence of other Directors, and, in any case, separately from Board meetings. At that meeting, the independent Directors, after having acknowledged the continued recognition of the relevance of their role by the Company, also noted with appreciation its commitment towards strengthening and continuing to improve the corporate governance practices and processes that were already satisfactory, and noted in particular the opportunity to deal with long term strategic aspects more frequently, analysing developments in the sector, also in other countries, the and competitive and prospective scenarios for the company activities. To that end, it was noted that during 2019, once the regulatory aspects of the so-called frequency refarming process were sufficiently clear, that a new long-term Business Plan should be adopted by the Company, based, *inter alia*, on assessments of the long-term scenarios, even unrelated to said process.

#### **4.7. *Lead Independent Director***

The Board of Directors decided not to appoint a Lead Independent Director, given that the conditions for such appointment provided in Criteria 2.C.4. of the Corporate Governance Code are not met.

## 5. MANAGEMENT OF CORPORATE INFORMATION

The Board of Directors has adopted guidelines and procedures for setting up the necessary organisational control bodies in charge of handling confidential and inside information as well as for keeping the Register of the subjects who have access to inside information (“**Inside Information Policy**”) in effect in 2018 and as at the date of this Report.

The Inside Information Policy aims to ensure that inside information is handled promptly, completely and appropriately, without causing information asymmetries among the public. More specifically, the disclosure of inside information according to the rules laid down in the Policy helps protect the market and investors by making sure they have sufficient knowledge of the Issuer’s affairs to make informed investment decisions. The Inside Information Policy also aims to prevent any person or category of persons from using information not known to the public in order to conduct speculative trades, to the detriment of investors who are not privy to such information.

The Inside Information Policy applies in particular to Directors, Statutory Auditors, executives and employees of Rai Way (and any of its subsidiaries), and more generally, to all persons who, due to their jobs, professions or functions performed on Rai Way’s behalf, have regular or occasional access to inside information relating, directly or indirectly, to Rai Way.

The Inside Information Policy highlights the role of the following persons and bodies:

- (a) the “Information Officer”, appointed by the Board of Directors (along with one substitute), is the person in charge of implementing the various provisions of the Inside Information Policy, and, in particular:
  - (i) with input and assistance from the relevant units, ensures compliance with market disclosure obligations by releasing statements approved, depending on the case, by either the Chief Executive Officer and the Chairman of the Board of Directors, or by the Board of Directors, the latter case with the authorisation for release by the Chief Executive Officer and the Chairman of the Board of Directors;
  - (ii) with input from the relevant units, maintains the registry pursuant to Art. 18 of EU Regulation no. 596/2014 and ensures that the data contained therein is up-to-date and safely stored;
- (b) a specially formed “Inside Information Committee”, now including the Chief Executive Officer-General Manager and Chief Financial Officer of Rai Way, which, after consultation with the Chairman of the Board of Directors and the relevant business structures:
  - (i) assesses the relevance of any set of circumstances or events directly or indirectly related to Rai Way, any of its subsidiaries, or any financial instruments issued by Rai Way, for purposes of determining if information qualifies as “inside”; and
  - (ii) decides whether to alert the market or else delay disclosure of the information, in compliance with the conditions established in the applicable regulations and the Inside Information Policy.



If the relevant events are in relation to resolutions of the Board of Directors, it is the Board that makes the above decisions.

## **6. BOARD COMMITTEES (PURSUANT TO ART. 123-BIS, PARAGRAPH 2, LETTER D) TUF)**

In accordance with Arts. 4, 5, 6 and 7 of the Corporate Governance Code, which recommend that listed companies set up various committees within the Board of Directors to oversee specific matters, Art. 24 of the Articles of Association empowers the Board of Directors to establish committees with advisory or proposal-making functions and to determine how many Board members will sit on such committees and what their responsibilities will be.

In the interests of simplification and efficient governance, the Company has decided to form a single committee to oversee appointments and remuneration, as allowed by the Corporate Governance Code under certain conditions. See Part 7 for further information.

The Board committees shall have access to all information and departments necessary for them to perform their respective tasks. They may also hire external consultants at the Company's expense, without exceeding the budget approved by the Board of Directors. The committees formed within the Board of Directors are described below.

The Board Regulations also govern the composition, responsibilities and functioning of the Control and Risks Committee and the Remuneration and Appointments Committee.

The Control and Risks Committee also performs the duties of the Committee for Related Party Transactions pursuant to CONSOB Regulation 17221 of 12 March 2010, and oversees the Company's Related Party Procedure.

The Control and Risks Committee and the Remuneration and Appointments Committee, in accordance with Art. 16 of the Market Regulation, are each comprised of three non-executive, independent directors including a Chairman appointed by the Board of Directors. At least one member of each committee has sufficient expertise in accounting and finance or risk management and/or as regards the latter in terms of remuneration policies, as determined by the Board of Directors at the time of appointment.

Pursuant to the Board Regulations, the Committees meet at established intervals and whenever special circumstances so require; meetings are valid if a majority of the Committee's members are present. The Chairman of each Committee may decide to hold meetings by audio/video conference, provided that each of the participants can be identified by all others and that each of them can participate in real time in the deliberations and receive, view and transmit documents.

During Committee meetings, a secretary (who need not be a member of the Committee) is appointed to draw up minutes of the meeting, being sure to explain any dissenting positions by those present. The secretary will archive the minutes so they can be consulted by any Committee members and/or by the Directors or Statutory Auditors. The Committees have budgets which can be increased for specific needs.

## 7. REMUNERATION AND APPOINTMENTS COMMITTEE

The Remuneration and Appointments Committee (for purposes of this Part, also referred to only as the “**Committee**”), in accordance with the recommendations set forth in Principles 5.P.1 and 6.P.3 of the Corporate Governance Code, includes in a single committee the specific functions of the Appointments Committee and the Remuneration Committee, as permitted in the aforementioned Code.

Provisions concerning the duties, composition, organisation and functioning of the Remuneration and Appointments Committee are contained in the Board Regulations.

### *7.1. Composition and functioning of the Remuneration and Appointments Committee*

The members of the Remuneration and Appointments Committee, including the Chairman, in office in 2018, were appointed by the Board of Directors on 28 April 2017. These members were Anna Gatti (Chair), Joyce Victoria Bigio and Donatella Sciuto. Starting from 1 January 2019, Donatella Sciuto was replaced by Umberto Masetti, who is also an Independent Director, and she became a member of the Control and Risks Committee. Additionally, as at the date of this Report, certain specifications were made regarding the Committee’s duties compared to 2018, set out below, regarding the remuneration of key managers, especially regarding the criteria to use to determine said remuneration.

As noted and consistent with Art. 16 of the Market Regulation, since Rai Way is under the management and coordination of Rai, this Committee always comprised Independent Directors only pursuant to Art. 3 of the Corporate Governance Code and Art. 148, paragraph 3 of the Consolidated Law on Finance (TUF).

All members of the Remuneration and Appointments Committee were assessed as having sufficient knowledge and expertise in accounting and finance and/or in remuneration policies.

Unless a shorter term is decided at the time of appointment, the members serve for as long as they hold seats on the Board of Directors. They may resign from the Committee, without necessarily resigning from the Board of Directors. If a member leaves office for any reason, the Board of Directors appoints a replacement. The new member’s term is the same as that of the person replaced. If the Chair of the Committee leaves office, when appointing that person’s replacement, the Board of Directors will also designate the new Chair.

In performing its duties, the Committee may be assisted by other units or hire external consultants, at the Company's expense, without exceeding the budget set annually by the Board of Directors. If it plans to hire a consultant to obtain information on retribution policies in the market, the Committee must ascertain beforehand that there are no circumstances compromising the consultant's independence of judgement.

Committee meetings are called by the Chair, whenever he or she sees fit, or at the request of another member. As a rule, the notice of call is sent at least three days prior to the scheduled date. In urgent cases, as determined by the Committee Chair, meetings may be called one day in advance. Committee meetings are also valid without prior notice, if all members are present.

The Chairman of the Board of Directors and the Chief Executive Officer are entitled to attend the committee's meetings. The Chairman of the Board of Statutory Auditors is also invited, and may delegate another standing auditor to attend (standard practice, in any case, is to invite all members of the Board of Statutory Auditors). At its own discretion, the Committee may invite to a given meeting any other individual(s) from within the Company, in relation to the units and departments affected by the issues discussed (including the members of other Board committees), or from outside the company when their presence is considered helpful to the Committee's work.

No Director may attend a Committee meeting (or any part thereof) at which proposals to the Board of Directors regarding the specific remuneration of Board members are reviewed or formulated.

The Chair of the Committee reports on Committee meetings at the first subsequent meeting of the Board of Directors, and where appropriate, also reports periodically to the Board on the Committee's work. During the annual Shareholders' Meeting of the Company, the Committee (through its Chairman or other members of the Committee) reports on the methods for performing its functions.

In 2018, the Committee met nine times, for an average of 2.23 hours.

One or more members of the Board of Statutory Auditors have always participated in these meetings, with the minutes regularly taken (some of them were also attended by the Chairman of the Board of Directors and the CEO).

The Committee carried out preliminary inquiries regarding the Succession Plans (as set out in Paragraph 4.1 above) during the meetings in the exercise of its functions with respect to the appointments.

As regards its remuneration-related functions, the Committee has examined and proposed to the Board of Directors remuneration policies and, following their approval, has monitored their implementation by carrying out detailed analyses as regards the achievement of the performance objectives set forth with regards to the variable portion of the remuneration of the CEO- General Manager and the remaining key management personnel.

See TABLE 2 of this Report for information on the attendance rate at the meetings of individual Committee members.

In 2019, as at the date of this Report, four Committee meetings were held on topics related to remunerations and in particular on the conclusive verifications on the degree of achievement of the set forth objectives for the application of the variable portions of the remunerations for 2018 to key management personnel, as well as on the preliminary activities for defining the remuneration policy for 2019.

## **7.2. *Functions of the Remuneration and Appointments Committee***

On the basis of the Board Regulations, the Committee carries out the duties provided under the Corporate Governance Code, and more specifically:

- a) gives opinions to the Board on proposals submitted by the Chairman or the CEO, concerning:

- (i) the definition of policies for appointing Company Directors;
  - (ii) the appointment of the CEO, General Manager and other key management personnel;
  - (iii) the definition of succession plans for the CEO, General Manager and other key management personnel;
  - (iv) the selection of candidates for the position of Rai Way Director in case of co-optation or for the position of Independent Director to be submitted to the Shareholders' Meeting, taking account of any input from the shareholders;
  - (v) the appointment of Board committee members, at the Chair's recommendation.
- b) makes recommendations to the Board of Directors concerning a general policy for the compensation of the CEO, General Manager and other key management personnel, so that the Board can prepare the annual compensation report for submission to the Shareholders' Meeting; and periodically evaluates the adequacy, overall consistency and concrete implementation of the general compensation policy approved by the Board;
- c) makes recommendations to the Board for the total remuneration of the Chief Executive Officer and General Manager and determines the criteria for the remuneration of the other managers with key responsibilities in the Company, including the performance targets tied to the variable component of that remuneration;
- d) monitors enforcement of the decisions made by the Board, in particular by verifying the achievement of performance targets;
- e) reviews any employee stock option plans or cash incentive plans and the Company's strategic development policies for human resources.

In compliance with Criterion 4.C.1., letter e) of the Corporate Governance Code, in the performance of their duties, the Committee has the right to access the necessary business information and functions, as well as to avail themselves of external advisers for the performance of their duties, within the limits of the budget they have been allocated.

The Board of Directors has assigned to the Remuneration and Appointments Committee a budget of € 50,000.00. In accordance with the provisions of Board Regulations, the financial resources available to the Committee may be supplemented to meet specific needs.

## 8. REMUNERATION OF DIRECTORS

The Company's remuneration policy is consistent, *inter alia*, with the applicable provisions of the Corporate Governance Code.

For information on the general remuneration of executive and non- executive Directors and key management personnel, including the Manager in charge of preparing the corporate accounting documents, and on profit sharing plans (currently not decided upon, but which we expect to be adopted soon, after proposal to the Shareholders' meeting) and indemnities due to Directors in the case of resignation, dismissal or termination of the relationship following a takeover, see the Rai Way Remuneration Report prepared in accordance with Art. 123-*ter* TUF, which will be made available to the public in compliance with the terms and with the methods set forth by the law and applicable regulations, including the posting on the website [www.rairway.it](http://www.rairway.it), in the section Corporate Governance/Assemblea degli Azionisti/Assemblee/Assemblea Ordinaria del 18 aprile 2019.

It should also be noted that (i) there are no agreements between the Company and some of the Directors that provide for indemnities, also of an insurance nature, in the case of resignation or termination with no just cause or if the work relationship terminates following a public offer, and that (ii) the structure of the variable portions of the remunerations set forth for the CEO-General Manager and the additional key management personnel, contemplates also claw back clauses. We also note that the incentive plans of the Manager of the Audit Function specified for 2018 are in line with the tasks assigned.

The following table indicates where information on the above aspects can be found in the Remuneration Report.

<b>Information recommended by the Corporate Governance Code</b>	<b>Relevant part(s) of the Remuneration Report</b>
General remuneration policy (Principle 6.P.4 of the Corporate Governance Code)	Section I
Share-based remuneration plans (Criterion 6.C.2 of the Corporate Governance Code)	N/A
Remuneration of executive directors (Principle 6.P.2 of the Corporate Governance Code)	Section I Section II, Part I
Remuneration of key management personnel (Principle 6.P.2 of the Corporate Governance Code)	Section I Section II, Part I
Incentive plans for the Manager in charge of preparing the corporate accounting documents (Criterion 6.C.3 of the Corporate Governance Code)	Section I

Remuneration of non-executive Directors	Section I Section II, Part I
Indemnities for Directors in case of resignation, dismissal, or termination due to a takeover (Principle 6.P.5 of the Corporate Governance Code)	N/A (see Sections I and II, Part I)

## 9. CONTROL AND RISKS COMMITTEE

The Company has established a Control and Risks Committee (see Part 6 of this Report).

The purpose of the Control and Risks Committee (also referred to as the “**Committee**” for the purpose of this Part 9) is to assist the Board of Directors in issues relating to internal controls and policies for managing risks, and to oversee related party transactions pursuant to the Regulation on Related Party Transactions and the Related Party Procedure.

Provisions concerning the duties, composition, organisation and functioning of the Control and Risks Committee are contained in the Board Regulations.

### *9.1. Composition and functioning of the Control and Risks Committee (Art. 123-bis, paragraph 2, letter d) TUF)*

The members of the Control and Risks Committee, including the Chairman, in office in 2018, were appointed by the Board of Directors on 28 April 2017, as a result of the appointment of the current Board of Directors at the Shareholders' meeting which took place on that day. These members are Paola Tagliavini, Chairman, Fabio Colasanti and Umberto Mosetti. Starting 1 January 2019, Umberto Mosetti was replaced by Donatella Sciuto, this too an Independent Director, in turn replacing the latter in the Remuneration and Appointments Committee).

Consistent with Art. 16 of the Market Regulation, since Rai Way is under the management and coordination of Rai, this Committee is comprised solely of Independent Directors pursuant to Art. 3 of the Corporate Governance Code and Art. 148, paragraph 3 of the Consolidated Law on Finance TUF.

All members of the Control and Risks Committee were assessed as having sufficient knowledge and expertise in accounting/finance or risk management.

Unless a shorter term is decided at the time of appointment, the members serve for as long as they hold seats on the Board of Directors. They may resign from the Committee, without necessarily resigning from the Board of Directors. If a member leaves office for any reason, the Board of Directors appoints a replacement. The new member's term is the same as that of the person replaced. If the Chair of the Committee leaves office, when appointing that person's replacement, the Board of Directors will also designate the new Chair.

The Committee meets with the frequency considered appropriate and whenever a meeting is requested by one of its members or the Chair of the Board of Statutory Auditors; the notice of call is sent by the Committee Chair or Committee Secretary, as a rule at least three days prior to the scheduled date. In urgent cases, as determined by the Committee Chair, meetings may be called one day in advance. The notice must contain the place, date and time of the meeting as well as the agenda. The meeting is considered to be held where the Committee Chair and Secretary are located.

A meeting is valid if attended by the majority of members in office; motions carry with an absolute majority of those present. In case of a tie, the Chair's vote will prevail. If the Chair is absent or unable to serve, the most senior member of the Committee will take over as temporary chair. The committee chair may decide to hold meetings by audio/videoconference, provided that each of the participants can be identified by all others



and that each of them can participate in real time in the deliberations and receive, view and transmit documents.

The secretary will archive the minutes so they can be consulted by any Committee members who were absent, and/or by the Directors or Statutory Auditors. The secretary will archive the minutes so they can be consulted by any Committee members who were absent, and/or by the Directors or Statutory Auditors.

Committee meetings are attended by the Manager in charge of preparing the corporate accounting documents, the Manager of the Audit Function, and the Chair of the Board of Statutory Auditors, or another standing auditor designated by that person (standard practice in any case is to invite all members of the Board of Statutory Auditors); department managers and other executives from the Company may also be invited for specific topics. The Chairman of the Board of Directors and the Chief Executive Officer are always entitled to attend.

The Committee may spend an appropriate amount in fulfilment of its duties, without exceeding the annual budget approved by the Board of Directors.

The Board Regulations, consistent with the Related Party Procedure, also govern the temporary substitution of a Committee member when the Committee is due to give an opinion on a transaction with related parties or associates. After affirming that for every transaction considered, all Committee members must be persons other than the counterparty or their associates, the Regulations state that if a Committee member is a counterparty to the transaction (or a person related to a counterparty), he or she must promptly inform the Chairman of the Board of Directors and the Committee Chair and abstain from attending Committee sessions concerning the transaction in question.

In this case the Chairman of the Board, with input from the Committee Chair, will immediately substitute the conflicted member by asking another independent, non-related member of the Board of Directors to serve in that person's stead.

For transactions with related parties and/or associates that need to be finalised as a matter of urgency and for which the Committee's input is required during the negotiation and due diligence phase and/or the opinion gathering phase, the Committee Chair, having acknowledged the urgency and learned that most or all members are unavailable to meet or in any case to perform the required task in time for the transaction to go through, will announce this impediment to the Chairman of the Board of Directors. Such notice must be given no later than the day after the Committee Chair learns of the unavailability of the majority or of all of the members. After consulting the CEO to determine whether it is feasible to delay the transaction, the Chairman of the Board of Directors will immediately replenish the Committee with Independent Directors to make up for the shortfall of members, following the same procedures described for temporary substitutions due to conflict of interest (appointment of replacement[s] from among the independent members of the Board). This also applies if the shortfall is caused by the resignation of a Committee member.

In 2018 the committee met eleven times, for an average of 2.39 hours each, with minutes duly taken on each occasion. One or more members of the Board of Statutory Auditors was present at every meeting along with the Financial reporting manager, the Internal auditing manager and invited representatives from the external auditing firm, while the other meetings were attended variously by the Chair of the Board of Directors, the Chief Executive Officer,

and/or (at the committee's invitation) the Independent director not serving on the committee. In addition to its responsibilities concerning related party transactions, the Committee performed the inquiry duties assigned to it, in particular by reviewing the proposed guidelines of the Internal Control and Risk Management System (ICRMS), evaluating the annual audit plan and related updates prepared by the Manager of the Audit Function (also monitoring the implementation of the plan and reviewing the audit reports submitted by the Manager), and any set forth corrective actions. The Committee also reviewed the Manager's remuneration structure, and the Audit Function's budget/resources, in addition to monitoring the preparation of financial statements (assessing the adequacy of the accounting standards used by the Company together with the Manager in charge of preparing the corporate accounting documents and the independent auditors, and gathering information on the latter's work plans) as well as, in terms of risk management, of the company's budget. The Committee also carried out controls with respect to some control and governance procedures of the Company and in-depth analysis on social and environmental activities and the corresponding reporting, reviewing in advance the Non-Financial Disclosure. The Committee also verified the corporate management control system, in particular through a review of the "Key Performance Indicators", the related risks and risk management activities, in addition to reviewing the structure of the organisational area under the Chief Financial Officer and the Manager in charge of preparing the corporate accounting documents, also in reference to risk management activities. The Committee, taking into account the information provided by the Manager of the Audit Function and the regular Report of the Supervisory Board, issued a positive opinion on the substantial overall adequacy of ICRMS.

See TABLE 2 of this Report for information on the attendance rate of individual Committee members.

In 2019 and up to the date of this Report, the Committee has met three times. At these meetings, the Committee, for due diligence proceedings relating to the ICRMS, has reviewed the proposed guidelines of the ICRMS (based on the primary risks inherent in business activities) and the 2019 audit plan prepared by the Manager of the Audit Function, monitored the preparation of the 2018 financial statements and of the Non-financial Disclosure, also gathering information on the respective audit process by the independent auditors, as well as after reviewing the implementation status of the actions specified as a result of Audit initiatives with reference to some processes and activities, The Committee also has reviewed, within its area of competence, the new edition of the Code of Ethics as well as the supplementary provisions of the Model pursuant to Legislative Decree no. 231/2001 on prevention of corruption ("Anticorruption Policy"), which have been then submitted to the Board of Directors.

## ***9.2. Duties attributed to the Control and Risks Committee***

In accordance with the recommendations contained in Criterion 7.C.1 and 7.C.2 of the Corporate Governance Code, the role of the Committee — in support of the Board of Directors - is to provide information, advise, and make proposals and enquiries, in defining, based on a risk-oriented approach, the guidelines for the entire internal control system, and to assess its effectiveness and efficiency, so that the main risks are properly identified, as well as appropriately measured, managed and monitored, without prejudice to the Board of Director's power to make all decisions on the issue at hand.

The Committee helps to promote a business culture that values the control function, steering it towards a risk-oriented approach (and in this context, specifically promotes training initiatives on the internal control and risk management system and the role of the Audit Function).

The Committee's mission includes evaluating the adequacy of the accounting standards used for preparing the financial statements and overseeing the effectiveness of the audits and the activities of external auditors.

The Committee is also responsible, as indicated, for related-party transactions.

Without prejudice to additional specific duties envisaged in the Corporate Governance Code, the Committee is called upon to perform the following activities:

- a) reporting to the Board of Directors, at least every six months, at the time of approval of the financial statements and interim financial statements, on activities carried out, and describing the essential elements of the internal control system, rating its adequacy, effectiveness and actual functioning;
- b) assessing the guidelines and annual audit plan prepared by the Audit Function, checking compliance and monitoring the adequacy, effectiveness and efficiency of the above-mentioned Audit Function;
- c) reviewing periodic reports and audit reports produced by the Audit Function, and evaluating any findings, following any actions taken to remedy deficiencies/anomalies identified, as well as implementing the proposed corrective measures, and adopting the recommendations made, if any;
- d) assessing the adequacy of accounting standards used and their uniformity for preparing the financial statements, in conjunction with the Manager in charge of preparing the corporate accounting documents and the external auditors;
- e) examining the process for preparing the quarterly and half-yearly financial reports as well as the annual financial statements, based on reports by the heads of the relevant function;
- f) reviewing, notwithstanding the duties assigned by law to the Board of Statutory Auditors, if necessary, the proposals submitted by the independent auditors for obtaining the assignment of the external auditing, including the proposed fees;
- g) overseeing the audit process, reviewing the audit work plans and the findings contained in the audit report and the management letter, if any;
- h) meeting with the external auditors at least once a year;
- i) examining the reports received by the Board of Statutory Auditors and by the Supervisory Board pursuant to Legislative Decree no. 231/2001, to assess the findings and ensure that action is taken to remedy any abnormal situations or shortcomings reported;
- j) requesting, if necessary, the Audit Function to conduct audits on specific operational areas, at the same time informing the Chairman of the Board of Statutory Auditors, the Chairman of the Board of Directors and the Appointed Director;

- k) expressing its opinion to the Board of Directors on the Corporate Governance Report, for purposes of describing the main features of the Internal Control and Risk Management System, and evaluating its adequacy;

Furthermore, in accordance with the Related Party Procedure adopted by the Company, the Committee:

- a) formulates preliminary opinions (binding, where appropriate) on procedures for the identification and management of transactions with related parties and/or associated persons carried out by the Company as well as on the relevant changes thereof;
- b) formulates preliminary, reasoned opinions, when explicitly required, also in the interest of carrying out transactions with related parties and/or with associated persons to be implemented by the Company and on the appropriateness and fairness of the relative terms and conditions;
- c) in case of transactions of greater importance with related parties and/or associated persons, the Committee is involved - if deemed advisable by the Committee itself, through one or more of its delegated members - in the negotiation and the diligence phase by receiving a complete and prompt stream of information, with the option to request information and make observations to the appointed bodies and persons in charge of conducting the negotiations or diligence phases <sup>(5)</sup>.

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In compliance with Criterion 4.C.1., letter e) of the Corporate Governance Code, in the performance of their duties, the Committee has the right to access the necessary business information and functions, as well as to avail themselves of external advisers for the performance of their duties, within the limits of the budget they have been allocated.

The Board has allocated a budget of €50,000.00 to the Control and Risks Committee to carry out their duties. In accordance with the provisions of Board Regulations, the financial resources available to the Committee may be supplemented to meet specific needs.

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<sup>(5)</sup> Without prejudice to the rules for the application of the provisions set forth in the Regulation on Related Party Transactions, the rules concerning the approval and execution of “Transactions of Greater Importance” were applied starting from the date of the approval of the 2017 financial statements (second year after the year of listing), in compliance with Art. 10 of the Regulation on Related Party Transactions for “recently listed companies”.

## 10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

### 10.1. Introduction

The Company has adopted, in line with Article 7 of the Corporate Governance Code, an internal control and risk management system – understood as a set of policies, procedures and organisational structures – which seeks to contribute to sound and proper company management, consistent with the predetermined objectives, by identifying, measuring, managing and monitoring the main risks.

The risk management system should not be considered separate from the internal control system in relation to the financial reporting process; both are elements of the same system.

The Internal Control and Risk Management System (ICRMS) of Rai Way consists of the tools, business rules and regulations - that the Company has adopted and is further developing - aimed at ensuring sound, fair and transparent management, consistent with the predetermined objectives defined by the Board of Directors, through a suitable process of identification, measurement, management and monitoring of the main risks, including in the valuation of all risks that may become relevant in terms of sustainability in the medium- long term of the Company's activities, as well as through the structuring of adequate information flows designed to guarantee the circulation of information.

The ICRMS of Rai Way is integral to the organisational and corporate governance framework, as it is a key element of the entire corporate governance system and plays a central role in the organisation. The planning, implementation and maintenance of the ICRMS, as well as its periodic assessment, are based on the principles of the Corporate Governance Code and best practises, complying with the CoSO Report <sup>(6)</sup>, which represents the internationally accepted framework for integrated functioning, analysis and assessment of the ICRMS.

The implementation of an effective and efficient ICRMS promotes an informed decision-making process. It also contributes to ensuring the protection of corporate assets, the efficiency and effectiveness of corporate processes, the reliability of financial information, and compliance with laws and regulations, including internal rules. Therefore, the corporate compliance models, structured and organised in accordance with applicable statutory provisions, are an integral part of the ICRMS.

The Company's ICRMS consists of the following five components:

1. Control environment, which represents a key element and the core component of the ICRMS, providing ethical values and structure. Rai Way has acquired appropriate tools, such as the Code of Ethics, the Organisational, Management and Control Model (Model 231), an organisational structure, a power and proxies system for the correct and transparent management and representation of the company, as well as professional development mechanisms. It has also acquired an anti-corruption plan pursuant to Law no. 190 of 6 November 2012: for 2018, this was contained in the corresponding Three-Year Plan, then, in January 2019, a specific Policy was adopted, carrying supplementary provisions of the Model pursuant to Legislative Decree no. 231/2001, as indicated in Section 10.7 below.

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<sup>(6)</sup> CoSO – *Committee of Sponsoring Organisations of the Treadway Commission* (2013), *Internal Control, Integrated Framework*.

2. Risk assessment and management, which consists in identifying and analysing factors that could compromise the achievement of the objectives and in determining how these risks should be handled. The risk management system of Rai Way is aimed at helping to achieve the company objectives, ensuring the reliability and integrity of the financial and other types of reporting, to preserve the integrity of the corporate assets and to ensure compliance with laws and regulations. The risks must be identified and managed by the heads of the various business functions, with the support of the enterprise risk management function. The risk management process is established within the planning, budgeting and management control system.
3. Control activities, which are defined in the Company's procedural framework. These controls are implemented at all organisational levels and include a set of activities aimed at the prevention, detection and correction of at-risk events, such as the segregation of duties, the approval/authorisation of transactions, audits, monitoring, analysing operational performance and the mechanisms for protecting corporate assets, (general and specific) IT controls.
4. Information and communication, which must be identified, reported and disseminated in a timely and appropriate manner to allow the various corporate functions to allow the various corporate functions to carry out their responsibilities and mission. The business information systems process information relating to financial and operational aspects, making it possible to manage and monitor the company. Information is effectively communicated downward, upward, and horizontally to the Rai Way organisational structure, through the use of appropriate reporting and awareness-raising tools, thereby helping to increase the understanding of management and staff at Rai Way regarding the importance of an efficient and effective ICRMS and on every individual's role within it.
5. Monitoring, which includes a set of activities aimed at checking that the ICRMS is properly designed and operating. This consists in continuous monitoring, periodic evaluations, or a combination of both. Continuous monitoring is carried out within the framework of current operations and includes monitoring activities carried out by Rai Way executives and officers, as well as under the initiative of staff in performing their duties. The continuous monitoring procedures are therefore incorporated in the normal operations, while the periodic evaluations are carried out based on the risk assessment and safeguarding actions. The Audit function carries out periodic monitoring through specific evaluations on the adequacy and functionality of the ICRMS for the process/business area under analysis. Shortcomings in the ICRMS are assessed and reported in order to define and implement appropriate corrective actions.

The Company has adopted a management control system permitting corporate officers to obtain, regularly and promptly, a sufficiently complete picture of the profits and losses and financial situation of the Company and making it possible to:

- monitor the Key Performance Indicators (“**KPI**”) and risk factors of the Company;
- produce data and information, with special reference to financial data, at a level of detail adequate to the type of business, the complexity of the organisation and the management's specific information needs;
- prepare forward-looking financial data for the business plan and the budget and verify the achievement of the Company's objectives using gap analyses.

The Board of Directors has positively assessed the ICRMS with reference to 2018, after having obtained, as mentioned above, the favourable opinion by the Control and Risks Committee. During 2018, a financial risk management policy previously approved by the Board of Directors remained in effect, which defines the approach and procedures aimed at minimising financial risks, with the ultimate objective of protecting the value of the business.

## ***10.2. Description of the main characteristics of existing risk management and internal control systems used in relation to the financial reporting process***

The ICRMS, in relation to the financial reporting process, contains a set of administrative and accounting procedures and a system for monitoring and evaluating the suitability and effective application of these procedures and system. These procedures are updated/supplemented for organisational changes or improvement areas that have been identified.

The ICRMS, in relation to the financial reporting process, is designed to ensure the reliability <sup>(7)</sup>, accuracy <sup>(8)</sup>, integrity <sup>(9)</sup> and timeliness <sup>(10)</sup> of financial reporting.

Specific tasks relating to financial reporting are assigned to the Manager in charge of preparing the corporate accounting documents, for which reference should be made to the Section 10.3.6 of this Report.

The ICRMS is characterised by:

- formation of separate control bodies and functions (Board of Directors, Control and Risks Committee, Appointed Director, Board of Statutory Auditors, Manager in charge of preparing the corporate accounting documents, Manager of the Audit Function) assigning to each of them specific tasks within the ICRMS, as fully described in the following Section 10.3 of the Report;
- the definition of adequate information flows between the various parties involved, as well as the identification of operating procedures that ensure coordination amongst them;
- holding all Rai Way management accountable, to ensure the adequacy and effectiveness of the ICRMS for the activities that fall under their remit.

The Company has adopted a management control system permitting corporate officers to obtain, regularly and promptly, a sufficiently complete picture of the profits and losses and financial situation of the Company and making it possible to: (i) monitor the Key Performance Indicators and risk factors of the Company; (ii) produce data and information,

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<sup>(7)</sup> Reliability (of information): information which has the characteristics of accuracy and conformity with the generally accepted accounting standards, and meets the requirements of the applicable laws and regulations.

<sup>(8)</sup> Accuracy (of information): information which is objective and accurate. Information is deemed objective if it is free from misrepresentations aimed at influencing the decision-making process of its users in order to achieve a predetermined result.

<sup>(9)</sup> Integrity (of information): information which is clear and complete, so that it leads to informed investment decisions by investors. Information is deemed clear if it facilitates the understanding of complex aspects of business, without being excessive and redundant.

<sup>(10)</sup> Timeliness (of information): information which complies with deadlines established for its disclosure.

with special reference to financial data, at a level of detail adequate to the type of business, the complexity of the organisation and the management's specific information needs; (iii) prepare forward-looking financial data for the business plan and the budget and verify the achievement of the business objectives through gap analyses.

(A) Stages of the existing risk management and internal control system used in relation to the financial reporting process

*Identification and assessment of financial reporting risks*

The ICRMS for the financial reporting process was designed after a preliminary activity involving the recognition and assessment of the main risks (inaccuracy, incompleteness, lack of integrity, unreliability) relating to transactions generated by those business processes considered significant, which feed into the Company's accounting data and financial reporting.

The identification and assessment of risks is updated any time events occur, inside or outside of the organisation, which affect the effectiveness of the analysis performed or, in any case, require integration.

*Definition and evaluation of administrative and accounting procedures and the related controls*

Administrative and accounting procedures have been defined within which the key controls were identified in order to ensure the objectives of accuracy, completeness, authorisation and traceability of transactions, as well as the integrity of data and financial information and the IT systems used.

The administrative and accounting procedures and the related controls are monitored and updated through a process supervised by the Manager in charge of preparing the corporate accounting documents, who collaborates on an ongoing basis with process owners to ensure that the procedures are updated or supplemented or to facilitate improvement actions.

The administrative and accounting procedures are subject to independent audits by the Company's Audit Department in order to ensure the adequacy of the design and effectiveness of the controls identified.

(B) Roles and Functions within the ICRMS

The ICRMS must include a clear identification of the roles which are attributed to the different stages of design, implementation, monitoring and continuous updating of the ICRMS.

The components of the ICRMS described in the Section 10.1 of the Report are coordinated and interdependent and the system, as a whole, involves the administrative bodies, control bodies, management and all internal and external staff at Rai Way - with different roles and based on collaboration and coordination procedures.

The ICRMS is divided into the following three levels of internal control, each characterised by a different degree of operational involvement in risk management:



- (i) First level control: identification, assessment, management and monitoring of risks under their authority to then identify and implement specific actions to deal with them;
- (ii) Second level control: monitoring the effective management of risks by the first level control, in order to ensure the effectiveness and efficiency of how they are handled, as well as monitoring the adequacy and operational efficiency of the controls put in place to monitor the main risks. Provides support to the first level in the definition and implementation of appropriate management systems for the main risks and related controls.
- (iii) Third level control: provides independent and objective assurance on the adequacy and operational effectiveness of first and second level controls and the entire ICRMS as a whole.

The structure of First- and Second-level controls are consistent with the size, complexity, specific risk profile and the regulatory framework within which Rai Way operates. First-level control is represented by the Company's management, while second-level control is represented by management with monitoring functions, such as management controls and enterprise risk management.

Third-level control is maintained by the Company's Audit Function, which performs audits applying a risk-based approach of the ICRMS as a whole.

For that which concerns Second-Level Control, in 2018, the activities of the risk management function, set up in 2017, reporting to the Chief Financial Officer, became even more focused on tasks aimed at implementing, managing and maintaining the integrated Enterprise Risk Management Model of the Company, to help the companies units to identify and assess risks and determine possible response actions, monitoring the completeness of the risks identified, also intercepting any new risks. In this regard, activities were carried out, in general, to specify in more detail the system adopted for the identification of the corporate risks and the corresponding measures of elimination/mitigation.

### ***10.3. Bodies and Functions within the ICRMS***

#### **10.3.1. Board of Directors and Control and Risks Committee**

The Board of Directors shall be responsible for ICRMS, providing strategic guidance and evaluation on the overall adequacy of the system, identifying within the Board:

- the Appointed Director, responsible for establishing and maintaining an effective ICRMS;
- a Control and Risks Committee, composed, as indicated, exclusively by Independent Directors, with the task of supporting, with adequate due diligence activities, the assessments and decisions of the Board of Directors relating to the ICRMS, as well as those relating to the approval of periodic financial statements (see Parts 6 and 9 of the Report).

The Board of Directors, with the favourable opinion of the Control and Risks Committee shall:

- a. define the ICRMS guidelines, evaluating, at least annually, its adequacy in respect to the characteristics of the business and its risk profile, as well as its effectiveness; the Appointed Director is entrusted with the task to establish and maintain an effective ICRMS;
- b. appoint or dismiss, on the proposal of the CEO (as Appointed Director) together and in agreement with the Chairman of the Board of Directors, with input from Board of Statutory Auditors, the Manager of the Audit Function, entrusted with the task to verify the functioning and adequacy of the ICRMS and to ensure that the Internal Audit activities are carried out independently and in a way that guarantees the effectiveness and efficiency of their work;
- c. approve, at least annually, the work plan prepared by the Manager of the Audit Function, having received the favourable opinion of the Control and Risks Committee with input from the Board of Statutory Auditors and the Appointed Director;
- d. evaluate, with input from the Board of Statutory Auditors, the findings of the independent auditors in any comment letters and in the report on fundamental issues that emerged during the audit;
- e. describe, in the corporate governance report, the key characteristics of the ICRMS, offering an assessment on its overall adequacy.

In 2018, the aforesaid powers and functions continued to be undertaken by the Board of Directors, which carried out the activities contemplated therein, including defining the ICRMS guidelines and approving the work plan developed by the Manager of the Audit Function. In turn, also pursuant to the Corporate Governance Code, the Control and Risks Committee, in assisting the Board of Directors and supporting it with adequate due diligence activities (also for the risk management activities deriving from injurious events that the Board learned of):

- (i) evaluates, together with the Manager in charge of preparing the corporate accounting documents and with input from the external auditors and the Board of Statutory Auditors, the correct application of the accounting standards;
- (ii) expresses opinions on specific aspects relating to the identification of the main business risks;
- (iii) review the periodic reports of the Audit Function concerning the assessment of the ICRMS as well as the other significant reports;
- (iv) monitor the independence, adequacy, efficiency and effectiveness of the Audit function;
- (v) request the Audit Function to carry out reviews of specific operational areas, giving simultaneous notice to the Chairman of the Board of Statutory Auditors;
- (vi) reports to the Board of Directors, at least every six months, on the occasion of the approval of the annual and half-year financial report, on the activity carried out, as well as on the adequacy of the ICRMS;

- (vii) issues preliminary opinions and prepares any proposals on the definition/updating of the ICRMS guidelines;
- (viii) issues favourable opinions on the proposal of the CEO (as Appointed Director) in agreement with the Chairman of the Board of Directors concerning the appointment and dismissal of the Internal Audit Manager and the remuneration of this;
- (ix) receive from the Supervisory Board a half-yearly report on the activities carried out as well as immediate disclosure in case of ascertained facts of special importance and significance;
- (x) issue preliminary opinions on the description, as part of the annual corporate governance report, of the main characteristics of the ICRMS, expressing an evaluation of its suitability.

### **10.3.2. Appointed Director responsible for the Internal Control and Risk Management System**

The Company's Board of Directors has appointed the CEO, Mr. Aldo Mancino, as Appointed Director, in office for the entire 2018, financial year, as of the date of this Report.

In accordance with the recommendation set out in Criterion 7.C.4 of the Corporate Governance Code, the Appointed Director shall:

- a. identify the main business risks, taking into account the characteristics of the activities carried out by the Company, and submit them periodically to the review of the Board of Directors;
- b. implement the guidelines defined by the Board of Directors, handling the planning, realisation and management of the internal control and risk system, constantly monitoring its adequacy and effectiveness;
- c. adjust the ICRMS to the dynamics of the operating conditions and the legislative and regulatory framework;
- d. have the power to ask the Audit function to carry out reviews of specific operational areas and on the compliance of business operations with internal rules and procedures, giving simultaneous notice to the Chairman of the Board of Directors, the Chairman of Control and Risks Committee and the Chairman of the Board of Statutory Auditors;
- e. promptly report to the Control and Risks Committee (or to the Board of Directors) issues and problems that resulted from his/her activity or of which he/she became aware in order for the Control and Risks Committee (or the Board of Directors) to take appropriate actions;
- f. submit to the Board of Directors, in agreement with the Chairman, proposals relating to the composition, and any changes thereof, of the Supervisory Board;
- g. submit to the Board of Directors, together and in agreement with the Chairman, proposals for the appointment or dismissal of the Manager in charge of preparing the corporate accounting documents and the Manager of the Audit Function;

- h. assess and share, at least annually, the audit plan prepared by the Manager of the Audit Function and approved by the Board of Directors;
- i. receive from the Supervisory Board a half-yearly report on the activities carried out as well as immediate disclosure in case of ascertained facts of special importance and significance;
- j. assess and share the half-yearly and annual evaluation of the Manager in charge of preparing the corporate accounting documents.

### **10.3.3. Board of Statutory Auditors**

In line with the mission established by law to this body, the Board of Statutory Auditors monitors compliance with the law and Articles of Association, compliance with the principles of proper administration and the adequacy of the organizational, administrative and accounting system adopted by the Company and its proper implementation. The tasks of the Board of Statutory Auditors also include audits on the efficiency, completeness, adequacy, functioning and reliability of the ICRMS, carried out also through the participation of the Chairman of the Board of Statutory Auditors and/or other Auditors appointed at Control and Risks Committee meetings.

To perform its duties, the Board of Statutory Auditors has adequate sources of information from the other corporate bodies and control functions.

### **10.3.4. Manager of the Audit Function**

The Board of Directors of Rai Way, at the Appointed Director's recommendation and following the favourable opinion of the Control and Risks Committee, with input from the Board of Statutory Auditors, appointed Angela Pace as Manager of the Audit Function. Angela Pace has held this office for the entire 2018 financial year and is holding it as of the date of this Report. In 2018, Angela Pace also held the position of “Anti-Corruption Officer”, with regard to the cases specified by the Law 6 November 2012, No. 190, with the clarifications provided in Section 10.7 below (which also indicates the updates introduced in January 2019, among which the appointment of Angela Pace as Officer in charge of the Anti-corruption Measures specified by the new Policy adopted by the Company in this regard).

The appointment as Manager of the Audit Function is granted for an indefinite period of time, unless otherwise resolved by the Board. For purposes of identifying the Manager of the Audit Function, we evaluated the candidate's profile along with the characteristics of solid reputation, integrity, respectability, independence, professionalism, competence and the experience necessary, as well as any incompatibilities, also in terms of conflict of interests, with prior activities or functions covered at the Company or at other companies and/or entities related to it.

In compliance with Interpretative Criterion 7.C.5 of the Corporate Governance Code, the Manager of the Audit Function shall:

- a. verify, both on a continuous basis and in relation to special needs, in conformity with international standards, the adequacy and effective functioning of the ICRMS,

through an audit plan, to be approved by the Board of Directors. Such a plan shall be based on a structured analysis and ranking of the main risks;

- b. not be responsible for any operational area;
- c. have direct access to all useful information for the performance of his/her duties;
- d. draft periodic reports containing adequate information on his/her activities, the risk management process, as well as compliance with the management plans defined for risk mitigation;
- e. prepare timely reports on particularly significant events;
- f. submit the reports indicated under items d. and e. above to the Chairman of the Board of Statutory Auditors, the Control and Risks Committee and the Board of Directors, as well as to the Appointed Director and the Supervisory Board for the matters under its responsibility;
- g. verify, within the Audit Plan, the reliability of information systems, including the financial reporting system;

The Manager of the Audit Function reports to the Board of Directors and, for this, the Chairman, without prejudice to said Manager being functionally subject to the authority of the Control and Risks Committee and Appointed Director.

The Board of Directors has established that the remuneration structure of the Internal Audit Manager, consistent with the Company's policies, is determined, following a proposal made by the CEO, after consulting the Chairman of the Board of Directors (in his capacity as Appointed Director) together and in agreement with the Chairman of the Board of Directors, and following the favourable opinion of the Control and Risks Committee, as well as input from the Board of Statutory Auditors.

The Board, based on the proposal of the CEO but as Appointed Director, with the prior positive evaluation expressed by the Control and Risks Committee and always after receiving input from the Board of Statutory Auditors, shall approve the Audit budget as part of the business budgeting process, ensuring that adequate resources are made available to the Manager of the Audit Function so that he/she is able to fulfil the assigned duties.

For 2018, the Board has assigned a budget of € 44,000.00 to the Manager of the Audit Function to carry out the relevant activities.

As mentioned, in addition to not engaging in any operational activity, the Manager of the Audit Function is not authorised to:

- (i) initiate or approve operations, transactions or accounting records, except for those pertaining to the Audit function;
- (ii) perform, on behalf of other bodies or functions, internal control and risk management activities which, due to their nature, extent and tasks to be performed, could undermine the independence of the Audit function.

### 10.3.5. *Audit*

In line with the “Standards for the Professional Practice of Internal Audit”, issued by the Institute of Internal Auditors, the Audit Function has the task to provide independent, objective assurance designed to promote actions to improve the efficiency and effectiveness of the internal control system and the business organisation. The Audit function helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management and corporate government processes <sup>(1)</sup>.

The main tasks of the Audit function are:

- a. to assess, within the limits of the assessment tools available, the performance and adequacy of the ICRMS and to provide evaluations and recommendations to promote its effectiveness and efficiency;
- b. to provide specialist support to management in ICRMS issues, in order to enhance efficiency, effectiveness, and integration of controls in business processes and promote the continuous improvement of corporate governance and risk management processes.

Lastly, the Audit function reports to the Chairman of the Board of Directors and Appointed Director, the CEO, the Control and Risks Committee, the Board of Statutory Auditors and, for risks pertaining to Legislative Decree no. 231/2001, the Supervisory Board, on the activities carried out and the results thereof.

With reference to the prevention and identification of irregularities, the responsibility of Audit consists in conducting audits, identifying and assessing the ICRMS adopted for the process/activity under review, and analysing the evidence obtained in a professional manner.

Management is responsible for the correct design and effective functioning of the ICRMS over time, the definition of corporate objectives and processes, the prevention and identification of irregularities, as well as the conformity of risk management methods with the defined mitigation plans.

Furthermore, the Audit function:

- (i) based on the principles and criteria defined, organises and supervises the systematic collection of data, information and the assessments required for making and updating the Audit Plan proposal;
- (ii) for audit interventions and where applicable, verifies compliance with the behaviour and control protocols set forth in Model 231, reporting to the Supervisory Board on audit results;
- (iii) monitors the implementation of corrective actions by obtaining statements and evidence from management (documentary follow-up) and/or through operational audits of their effective implementation (on-site follow-up) in case of critical problem areas (ratings).

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<sup>(1)</sup> Definition approved by the Board of Directors of the Institute of Internal Auditors on 26 June 1999 and implemented by current International Internal Auditing Standards.

The function's activities are planned based on an annual Audit Plan, approved by the Board of Directors following the favourable opinion of the Control and Risks Committee, with input from the Board of Statutory Auditors, and according to the proposal of the Appointed Director.

The Plan is drawn up according to a “top-down/risk-based” procedure.

In addition to these activities, the Audit function also performs spot-check audits not scheduled in the Audit Plan based on requests received from the Company's Chairman of the Board of Directors, the CEO and Appointed Director, the Control and Risks Committee, the Board of Statutory Auditors, or the Supervisory Board.

In 2018, the Manager of the Audit Function, Angela Pace, performed her duties in implementation of these assigned functions, which were not amended during the year, in particular by implementing the work scheduled in the Audit Plan for the year.

#### **10.3.6. Manager in charge of preparing the corporate accounting documents**

Article 32 of the By-laws provides that the Board of Directors, subject to the obligatory opinion of the Board of Statutory Auditors, appoints – for a maximum period of three years, renewable at expiration – a Manager in charge of preparing the corporate accounting documents, to whom it grants the powers provided in Art. 154-*bis* TUF.

The Manager in charge of preparing the corporate accounting documents is chosen by the Board of Directors from among the Company executives who meet the professional competence requirements, characterised by specific expertise in administration and accounting related issues. Such expertise, to be ascertained by the Board of Directors, must be acquired through work experience in positions of adequate responsibility for a reasonable period of time and in businesses comparable to that of the Company. The Manager in charge of preparing the corporate accounting documents must also meet the integrity requirements provided by prevailing legislation for a statutory office. If the Manager in charge of preparing the corporate accounting documents no longer meets the integrity requirements, he/she shall be removed from office.

Consistent with the provisions of Art. 154-*bis* TUF, the Manager in charge of preparing the corporate accounting documents is responsible for: (i) preparing adequate administrative and accounting procedures for the preparation of the financial statements for the year and, where envisaged, the consolidated financial statements as well as all other financial communications; (ii) preparing the documents and notices provided by the law or released to the market, containing information and figures on the economic, equity or financial position of the Company, with a written declaration certifying that they correspond to the truth; (iii) ensuring the preparation of the financial statements and, where envisaged, the consolidated financial statements and quarterly and half-yearly reports; and (iv) within the corresponding areas of authority, representing the Company and, where applicable, the group of which it forms a part, with respect to the international financial community.

Over the course of the financial year 2018, the office of the Appointed Director was filled by the Company's Chief Financial Officer, Adalberto Pellegrino. This assignment, originally signed by the Board of Directors of the Company on the day 11 September 2014, (with assignment of relative powers and functions on the same date, and later, with another board resolution on 18 September 2014), expired after the Board of Directors was dismissed with

the Shareholders' Meeting held on 28 April 2017. On this last day, the new Board of Directors renewed the office of Manager in charge of preparing the corporate accounting documents by assigning the same powers and functions already assigned previously. The Chief Financial Officer, also acting as Manager in charge of preparing the corporate accounting documents, is granted the following powers and functions:

- (i) definition of financial and administrative strategies and policies, preparation of the periodic financial reporting and overseeing their implementation;
- (ii) supervision of the preparation of the Company's financial statements, as well as every other interim accounting document and related communication to the public, optimisation of financial and industrial risk management, the tax burden and stakeholder aspects, financial programming and control, obtaining the financial resources, development and management of financial services in support of the industrial and commercial operations, selection of financial advisors as well as capital market transactions and compliance connected with corporate reporting regulations;
- (iii) responsibility for supervision of the administrative and financial operations (general accounting, customers and suppliers accounting, short and medium/long-term planning (business plan), treasury management and tax compliance - VAT and income taxes);
- (iv) oversight of the preparation and consolidation of plans, budgets and forecasts and responsibility for oversight of the objectives fixed thereby, preparation of the administrative/financial reporting (gap analysis, preparing forecasts, receipts and payments management);
- (v) responsibility for administrative management of general corporate contracts, above all with reference to the payments and collections terms and guarantees given;
- (vi) oversight of relationships with the national and international financial community;
- (vii) oversight of the management of the functional areas under his/her responsibility relating to the preparation of internal procedures and the optimisation of operational processes;
- (viii) management of tax-related litigation and pre-litigation (and all connected activities), subject to agreement with the Chief Executive Officer for disputes of a value up to €1,000,000.00 and subject to informing the Chairman for disputes of a value exceeding €1,000,000.00;
- (ix) (ix) regarding transactions concerning investment of the cash and cash equivalents and loan transactions, the completion of all activities listed below, within the value limit, per individual transaction or jointly considering other connected negotiations, of €500,000.00, including therein:
  - applying for and taking out loans, credit facilities and similar, with a term of less than 18 months, and negotiation of the relative settlement conditions;
  - investing corporate liquidity in the following typologies of financial instruments: current account and bank deposits at sight and upon expiration; repurchase transactions and instruments equivalent to bank and financial counter parties and bond securities;



- subject to agreement with the Chief Executive Officer, entering into contracts for assignment of receivables, factoring and similar contracts, including with the granting of guarantees;
- (x) in addition to the activities described above, executing the following financial transactions for various matters and within the value limit, per individual transaction or considered jointly with other connected transactions, of €500,000.00:
- entering into contracts with banks, financial institutions and companies for hedging transactions for exchange and interest rate risk in accordance with the guidelines indicated by the Board of Directors of Rai Way;
  - entering into contracts with banks, financial institutions and companies for services connected with financial management, including payment authorisations;
  - arranging guarantees, security deposits and other guarantees relative to contracts and orders, arranging deeds of administration and restitution;
  - arranging the connected and consequent compliances for the access, administration and repayment of loans, including bonds and medium/long-term mortgages, with liens on real estate or corporate operating assets also, permitting their recording and arranging cancellation;
  - subject to agreement with the Chief Executive Officer, concluding payables/receivables set-off agreements and accepting assignments of receivables, factoring and irrevocable payment instructions from suppliers;
  - opening current accounts and overdrafts with Rai and related administration, fixing the settlement conditions;
  - executing power of claiming sums and credit instruments with both private parties and companies, public and private administrations, issuing discharge receipts;
  - opening, administrating, managing, and repaying current accounts and overdrafts in any currency, with banks, post offices and financial institutions; drawing down and paying overdrafts and negotiating the relative settlement conditions;
  - effecting the compliance provided by Art. 3 of Law 136/2010;
  - granting powers of attorney in connection with the powers granted.

The Manager in charge of preparing the corporate accounting documents carries out the certifications and declarations prescribed for the latter by regulations in effect, where requested, including jointly with delegated bodies. Specifically: the company's deeds and notices distributed to the market, and relating accounting information including interim thereof, which are accompanied by the Financial Reporting Manager's written declaration, which attest to the correspondence with documented results, books and accounting records.

Furthermore, the delegated management bodies and the Manager in charge of preparing the corporate accounting documents attest, with an appropriate report, the annual financial

statements, abbreviated interim financial statements and, where prepared, the consolidated financial statements (not prepared by the Company as it does not hold equity investments in other companies):

- (a) the adequacy and effective application of internal administrative and accounting procedures for the formation of the financial statements for the period to which the documents refer;
- (b) that the documents are prepared in conformity with the applicable international accounting standards recognised in the European Community pursuant to (EC) Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002;
- (c) the correspondence of the documents to the results of the books and accounting records;
- (d) the suitability of the documents to provide a true and correct representation of the equity and financial position of the Company (as there are, as at 31 December 2018, as also at the date of this Report, no companies subject to consolidation);
- (e) that the Directors' Report on the annual financial statements includes a reliable analysis of the performance and result from operations, as well as the Issuer's situation and that of the combination of consolidated companies (as stated, not applicable as at 31 December 2018), together with a description of the principal risks and uncertainties;
- (f) that the interim Directors' Report on the abbreviated interim financial statements contains a reliable analysis of the information mentioned in Art. 154-*ter*, paragraph 4 TUF.

The Manager in charge of preparing the corporate accounting documents, for the purpose of performing the duties established by Art. 154-*bis* TUF and other applicable provisions, exercises the following powers:

- (i) free access to all information considered relevant for discharging his/her duties within the Company;
- (ii) attendance at the Board of Directors meetings that provide for discussion on matters falling within his/her authority;
- (iii) to speak to the Board of Directors and Board of Statutory Auditors of the Company;
- (iv) to approve the corporate procedures when they have an impact on the financial statements, consolidated financial statements or on the other documents subject to certification;
- (v) participation in the design of information systems that have an impact on the Company's equity and financial position;
- (vi) to use the external audit firm for the mapping and analysis of processes under his/her authority and in the execution phase of specific controls;
- (vii) possibility to use information systems.

The Manager in charge of preparing the corporate accounting documents therefore has the

power of preparing, including with aid from external consultants, a series of corresponding procedures (a) for standardisation of the flow of information to the Manager in charge of preparing the corporate accounting documents and (b) formation of financial statements and any other financial communications.

During the 2018 financial year, the aforesaid powers and functions granted to the Chief Financial Officer and Manager in charge of preparing the corporate accounting documents, Adalberto Pellegrino, who arranged to carry out the activities contemplated therein, thus remained in existence.

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

In order to allow the bodies described in Section 10.3 above to perform their role within the ICRMS, specific information flows are defined between the aforementioned three levels of control and the competent bodies, which are coordinated and appropriate in terms of content and timing. All flows in support of the ICRMS evaluations by the Board of Directors converge in the Control and Risks Committee, which conducts an appropriate preliminary check whose results are referred directly to the Board of Directors, as part of its periodic reports and/or by the issue of specific opinions. Such flows are also passed to the Board of Statutory Auditors as a function of the exercise of duties attributed thereto by the law on ICRMS matters.

The methodologies of interaction between the corporate functions and bodies involved in ICRMS were designed with the objective of avoiding overlaps or gaps to the extent possible, as well as avoiding modifications, including in substance, to the primary responsibilities of the corporate bodies involved in ICRMS.

As far as concerns the inter-relationships between the second- and third-level (Audit) control functions, these are included in the more general framework of active and constant collaboration, achieving:

- participation — within the scope of the respective roles and following the independence requirement that characterises the third level control function — in the process of adjusting and strengthening the ICRMS;
- exchange of information, document or data flows as well as access to any corporate or information resource in line with the control requirements of the functions;
- systematic participation in Board and managerial committees or on request;
- participation in work groups, constituted from time to time on subjects related to risk and control issues.

Improvement of the interaction between control functions and the constant updating to the corporate boards thereof relating to the activities carried out have the ultimate purpose of establishing over time corporate governance that ensures sound and prudent management including through more effective supervision of the risk at all corporate levels.

During the 2018 financial year, and up to the date of this Report, there were constant information flows both through the reports prepared by the Control and Risks Committee

to the Board of Directors, and through the continuous attendance of at least one of the members of the Board of Statutory Auditors at the meetings of the Committee and the Board of Directors, as well as through the reports of the Supervisory Board provided for in Model 231 to the Board of Directors and Board of Statutory Auditors, also communicated to the Control and Risks Committee. During 2018, both the Control and Risks Committee and the Board of Statutory Auditors also met the Chairman of the Supervisory Board and its members to provide additional information on the activities carried out and planned. In the same manner, the Manager of the Audit Function and the Manager in charge of preparing the corporate accounting documents have specifically, and to the extent of their authority, constantly attended meetings of the Control and Risks Committee and referred thereto, as well as directly at various meetings of the Board of Directors, in addition to statutory auditors' checks. In 2019, before the date of this Report, two additional meetings were held between the Control and Risks Committee and the Chairman of the Supervisory Board and its members to provide information on the activities carried out and planned. The Board of Statutory Auditors also attended, in particular the meeting at which the Committee reviewed the draft of the new edition of the Code of Ethics as well as of the anti-corruption provisions ("Anticorruption Policy") added as integration to the Model 231 in view of their submission to the Board of Directors, as well as at the time of the issue of the Report of the Supervisory Board for the second half of 2018.

### ***10.5. Organisational Model pursuant to Legislative Decree 231/2001***

The Organisation, Management and Control Model adopted by the Company pursuant to Legislative Decree no. 231/2001 (the "**Model 231**") was originally approved by the Board of Directors in December 2006 and subsequently updated, most recently in April 2018.

#### **10.5.1. Basic principles**

Rai Way's Model 231 conforms to:

- the indications in Legislative Decree no. 231/2001;
- the "Guidelines for the Construction of Organisation, Management and Control Models pursuant to Legislative Decree 231/2001" of Confindustria, and, specifically, to the components of a preventive control system;
- the Code of Ethics as adopted by the Company;
- the corporate governance model contained therein, as well as principles of business administration and management, implemented in Rai Group, which the Company has also decided to adopt.

Recipients of Model 231 are identified as people who:

- have representation, administration or management functions in the Company or of one of its organisational units or staff area, or else who, though not having a formal investiture, exercise, including de facto, the management and control thereof;

- are subject to the management or supervision of one of the parties mentioned above (all other Company employees operating in the organisational units or staff area).

All those who, though not part of the Company, work to achieve the purposes and objectives of Rai Way (external associates, customers/suppliers, partners, etc.) are also required to comply with Model 231.

### **10.5.2. Structure of the Model 231**

Model 231 comprises a “General Part” and a “Special Part”, organised into Sections corresponding to the groups of offences identified in Legislative Decree no. 231/2001. In 2018, Model 231 was updated mainly as a result of new relevant legal and regulatory provisions and of the organisational structure of the Company, aligned to reflect the new composition of the Supervisory Board (discussed in Section 10.5.3 below).

The General Section comprises:

- the core principles formulated by Legislative Decree no. 231/2001;
- wording of the purposes and scope carried out with adoption of Model 231;
- confirmation of the functions and structure of the Supervisory Board;
- the description of some fundamentals for effective “functioning” and observance of Model 231 by the recipients.

Each of the sixteen sections of the Special Part consists of four paragraphs:

- the first establishes the description of the “significant criminal cases”;
- the second, aimed at identifying, in light of the preliminary “Risk Mapping”, the so-called “sensitive areas” (areas of activities in which the risk of commission of each group of offences is higher);
- the third that describes the “Principles of Conduct” (that is, the rules of conduct that must be followed by the recipients of the Model), and the “Implementation Principles for Decision Processes”, carried out through protocols/procedures to be observed for the purpose of avoiding the commission of offences;
- the fourth, called “Internal organisation in support of the Supervisory Board”, delineates an IT system based on the role of the “In-House Appointee” and preparation of the “Evidence Schedules”.

The Sections of the Special Part are listed below:

- Section "A": offences referred to in Art. 24 of the Decree (Undue receipt of disbursements, fraud against the State or other public entity or for the receipt of public funds and information systems fraud damaging the State or other public entity”);

- Section “B”: offences referred to in Art. 25 (“Bribery, unlawful inducement to give or promise benefits and corruption”), and Art. 25-*decies* of the Decree (“Inducement to withhold statements or to provide false statements to the judicial authorities”);
- Section “C”: offences referred to in Art. 25-*bis* of the Decree (“Counterfeiting offences and falseness in recognition tools or signs”);
- Section “D”: offences referred to in Art. 25-*ter* of the Decree (Corporate offences);
- Section “E”: offences referred to in Art. 25-*quater* of the Decree (“Terrorism or subversion of the democratic order”);
- Section “F”: offences referred to in Art. 25-*quinquies* and Art.24-*quater* of the Decree (“Offences against individuals” and “Feminine genital organs mutilation”);
- Section “G”: offences referred to in Art. 25-*sexies* of the Decree (Market abuse);
- Section "H": offences referred to in Art. 10 of Law 16 no. 146 of 16 March 2006 (Transnational offences);
- Section "I": offences referred to in Art. 25-*septies* of the Decree (Homicide or serious or very serious injuries, committed with a breach of the regulations on the protection of health and safety at work);
- Section “L”: offences referred to in Art. 25-*octies* of the Decree (“Fencing, money laundering and use of money, goods or utilities of criminal provenance, as well as self-laundering”);
- Section "M": offences referred to in Art. 24-*bis* of the Decree (Information systems and unlawful data processing);
- Section "N": offences referred to in Art. 24-*ter* of the Decree (Organised crime offences);
- Section "O": offences referred to in Art. 25-*bis*.1 of the Decree (Crimes against industry and commerce);
- Section "P": offences referred to in Art. 25-*novies* of the Decree (Breach of copyright);
- Section "Q": offences referred to in Art. 25-*undecies* of the Decree (Environmental offences) <sup>(1)</sup>;
- Section “R”: offences referred to in Art. 25-*duodecies* (Use of illegally staying third-country nationals”) and Art. 25-*terdecies* of the Decree (“Racism and xenophobia”).

The “231/01” procedures and protocols, developed to prevent illicit conduct and the commission of the offences contemplated by Legislative Decree 231/2001, constitute an integral and substantial part of the Model 231, an expression of the “effectiveness” principle of Model 231.

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<sup>(1)</sup> With specific mapping of risk areas.

### **10.5.3. Supervisory Board**

Until 23 July 2018, the Supervisory Board, appointed in 2015 by the Board of Directors, included the following three members:

- (i) Cinthia Pinotti, judge of the Court of Auditors, acting as Chair of the Supervisory Board (an external member who meets the requirements of independence and professional qualifications);
- (ii) the Head of Legal & Corporate Affairs and Board of Directors Secretary, Giorgio Cogliati;
- (iii) the Manager of the Audit Function, Angela Pace.

At the end of the three-year mandate of the Supervisory Board in the afore-mentioned composition, the Board of Directors appointed the Supervisory Board for a new three-year period. Its members now are:

- (i) Alberto de Nigro, acting as Chair (an external member who meets the requirements of independence and professional qualifications);
- (ii) Maria Giovanna Basile, Standing Auditor of the Company;
- (iii) Angela Pace, Manager of the Audit Function of the Company.

In 2018, the Supervisory Board held nine meetings (of which four after 23 July 2018, in the new composition). During its meetings, in addition to monitoring the changes in the legal and regulatory framework to keep the Model up to date and the corporate reorganisation interventions, within its area of competence, it met with company managers to verify aspects deemed important for the application of the Model, including processes relevant for the purposes of occupational safety and environmental risk management, also performing analyses aimed at updating the information flow system between the different parts of the company, also in view of the organisational changes made. In 2019, the Supervisory Board held three meetings, focusing on the preliminary review of the new edition of the Code of Ethics and of the supplementary provisions of the Model pursuant to Legislative Decree no. 231/2001 on the prevention of corruption (“Anticorruption Policy”), which were then submitted to the Board of Directors. The Supervisory Board also carried out control activities, in particular through audits of some corporate executives in regard to activities carried out by the corresponding functions.

### **10.5.4. In-House Appointees**

The roles of the “In-House Appointees” are described in Section 3.4.1 of the Special Part of the Model. In particular, some of their most significant responsibilities are as follows:

- for transactions related to risk activities, prepare and archive the relevant documents and summarise their content for the Supervisory Board in specific “evidence reports”;
- for other periodic activities, prepare corresponding cumulative “evidence reports”;

- report to the Supervisory Board concerning any anomalies in or violations of Model 231 and any other facts deemed to be relevant;
- help to update the risk prevention system within the scope of their responsibilities.

### **10.6. Code of Ethics**

The Company has also adopted the Code of Ethics mentioned in Section 10.5.1 of this Report, which is an integral part of Model 231. The purpose of the Code of Ethics is to establish the set of values that the Issuer acknowledges, accepts and shares and the responsibilities that the Issuer assumes. The Code of Ethics contains the principles of ethics and conduct that are to underlie the work of those who operate or otherwise interact with Rai Way on an ongoing or temporary basis, taking account of their respective roles, the complexity of their functions, and the responsibilities assigned in order to pursue the goals of the Company. The principles contained in the Code of Ethics supplement the rules that the Company and those who work within or with the organisation are required to follow as defined by applicable laws and regulations. After the end of 2018 and as a result of a corresponding resolution of the Board of Directors (after review of the Control and Risks Committee and the Supervisory Board) - the Company has adopted a new edition of the Code of Ethics, with some clarifications and updates, leaving unchanged the basic principles already specified.

### **10.7. Anti-corruption Measures**

Taking into account the provisions of Law no. 190/2012, in its original formulation, in January 2015, the Rai Way Board of Directors had adopted a three-year plan for the prevention of corruption (the “**Plan**”), inspired to the principles of the National Anticorruption Plan, as far as applicable. Following changes in the regulatory framework and the issue of Guidelines by A.N.A.C. (in particular with reference to public listed companies), Rai Way has updated the Plan annually even in the absence of a legal obligation, that is, on a voluntary basis. The 2018 update, drafted by the Anti-corruption Officer <sup>(12)</sup>, was approved by the Board of Directors on 31 January 2018 and was in force for the rest of the year. In this document, the identification of the guidelines and activities for the development, implementation and update of the Plan was updated, always for the purposes of specifying an internal control system for the prevention of corruption, based on the type of offence identified by Law n. 190/2012, aiming at taking effective action against potential instances of corruption and unlawfulness.

The Plan was monitored as an integral and substantial part of the internal rules and corporate policies, taking account of the gradual implementation of the different actions planned, while underscoring the actions to be taken, the objectives and priorities set by senior management, the guidance provided by the A.N.A.C. where applicable, any regulatory or organisational changes affecting the Company, and any guidance provided by the anti-corruption officer. The following must abide to the Plan: (i) representatives of the Company; (ii) all personnel

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<sup>(12)</sup> The Board of Directors has identified the Manager of the Audit Function as the person to act as Anti-corruption Officer. The Manager of the Audit Function performed this role in 2018 and continues to perform it at the date of this Report.



at all levels; (iii) any and all other parties maintaining relations with Rai Way, including in relation to the provision of professional services or other goods or services or the execution of other works.

In regard to the application to the Company of the anti-corruption provisions specified by Law n. 190/2012 and subsequent implementing provisions, we note that, as already pointed out in the 2017 Report on the Corporate Governance and Ownership Structures as well as in the most recent update of the Plan, the Guidelines of the Italian National Anti-corruption Authority (“A.N.A.C.”) for the implementation of legislation on transparency and prevention of corruption in public companies, issued in November 2017 and in force at the date of this report, rule out the application of the provisions therein to publicly listed companies. In fact, also based on the opinion of the Council of State, the A.N.A.C. has deemed necessary another in-depth study, to be carried out with the Ministry for the Economy and CONSOB. In any case, the applicability of the Guidelines for implementation of legislation concerning transparency and the prevention of corruption for companies and other private-sector entities controlled and held by government and other public-sector bodies, as issued by A.N.A.C. on 17 June 2015, was suspended for listed companies.

In January 2019, with resolution of the Board of Directors (after review of the Control and Risks Committee and the Supervisory Board), rather updating the Plan, the Company adopted a set of supplementary provisions of the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001 concerning the offences considered by Law n. 190/2012, as part of its “Anticorruption Policy” (again, on a voluntary basis, in view of its status of listed company but in any case in line with the legal provisions for companies subject to public control). The Policy, published on the website of the Company, in substantial continuity with the Plan, follows an approach of increasing integration with the other instruments adopted by the Company (Model pursuant to Legislative Decree no. 231/2001, Code of Ethics), in particular, by providing for the direct involvement of the Supervisory Board pursuant to Legislative Decree no. 231/2001, while preserving an internal control mechanism in the person of an Anticorruption Officer (identified, at the moment, in the Manager of the Audit Function, Angela Pace). The officer in charge of the anticorruption measures, with the coordination of the Supervisory Board pursuant to Legislative Decree no. 231/2001, verifies the suitability and actual implementation of the anticorruption measures taken.

#### ***10.8. Internal Dealing Code of Conduct***

In 2018, the Board of Directors approved an updated edition of the Code of Conduct on internal dealing. The new edition provides some clarifications with respect to the previous edition (July 2016), taking into account some regulatory changes at the Italian level and, at the European level, interpretations of the EU Regulation 596 of 16 April 2014 on market abuse and corresponding implementing regulations.

To ensure the required transparency of information to the market, this procedure specifies the communication and notification obligations resulting from the above-mentioned legislation for “relevant parties” (i.e., members of the management and control bodies and management with strategic responsibilities) and for the individuals who are “closely related” to said parties, in relation to the execution of transactions on financial instruments issued by the Company or by associated companies, as well as obligations to abstain from these transactions, as specified by the afore-mentioned reference EU provisions, in the thirty-day period before approval of the financial statements by the Board. Also, in the new edition of

the Code, we ought to mention, for the sake of completeness, the internal dealing obligations set by Italian laws for shareholders with an interest in the share capital of the Company equal to or above 10% and any other party controlling the Company as well as for the individuals who are “closely related” to said parties.

#### ***10.9. Inside Information Policy***

See Part 5 of this Report for additional information.

#### ***10.10. Independent auditors***

The independent auditing firm responsible for auditing the Issuer’s accounts is PricewaterhouseCoopers S.p.A., headquartered in Milan (Via Monte Rosa no. 91), enrolment no. 43 in the special register of independent auditors of the Ministry for the Economy and Finance in accordance with Article 161 of the Consolidated Law on Finance and no. 119644 in the register of statutory auditors.

On 4 September 2014, subject to providing Borsa Italiana with the request for admission of the Company's shares for trading on the MTA stock market, the shareholders approved changing the nature of the auditing mandate in effect to comply with the provisions of Articles 14 and 17 of Italian Legislative Decree no. 39 of 27 January 2010 and extending said mandate to the financial year ending on 31 December 2022. The independent auditors were also assigned responsibility for the limited audits of the interim abbreviated financial reports of the Company for the half-year periods ending on 30 June for the financial years from 2015 to 2022.

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

On 4 September 2014, in accordance with Article 2391-*bis* of the Italian Civil Code and with Articles 113-*ter*, 114, 115 and 154-*ter* of the TUF, as well as with the applicable provisions of the Issuers' Regulation and Regulation on Related Party Transactions and considering the guidance and clarifications provided by CONSOB in communication no. DEM/10078683 of 24 September 2010, the Company's Board of Directors voted to adopt the Related Party Procedure, which went into effect on the First Trading Day and has been examined and approved by the Control and Risks Committee.

The purpose of the Related Party Procedure is to establish the principles of conduct that Rai Way is required to follow in order to ensure the proper management of transactions with related parties, as defined in the Regulation on Related Party Transactions. To this end, the Related Party Procedure:

- establishes the procedures and parameters for identifying and mapping the Company's related parties (as defined therein), while also establishing the criteria and timing for updates to the list of related parties and the organisational units responsible for maintaining said list;
- determines the principles for identifying transactions with Related Parties prior to their conclusion;
- governs the procedures that the Company, including through subsidiaries or other intermediaries, is to follow in carrying out related party transactions and establishes the rules of conduct aimed at ensuring the transparency and the correctness, both in substance and in form, of such transactions; and
- establishes the procedures for meeting related disclosure obligations.

In accordance with the Related Party Procedure, a specific unit, consisting of the Manager in charge of preparing the corporate accounting documents, the Head of Legal Affairs and the Company's Internal Controls Officer, has been established, the primary role of which is to coordinate and assist various organisational units in properly applying updates to the Related Party Procedure.

The Related Party Procedure also defines the "Transactions of Greater Importance", the "Transactions of Lesser Importance" and the "Transactions for Smaller Amounts".

"Transactions of Greater Importance" are those transactions with related parties – including transactions of the same type or carried out in execution of a single plan with a specific related party or with parties related to both this party and to the Company – in which at least one of the relevance indexes defined under Annex 3 of the Regulation on Related Party Transactions is surpassed.

"Transactions of Lesser Importance" are all other transactions that do not qualify as either "Transactions of Greater Importance" or "Transactions for Smaller Amounts" (as described below).

The Board of Directors is the sole body responsible for approving "Transactions of Greater Importance". The Control and Risks Committee is involved in the negotiation and preliminary inquiry phase, receiving complete and detailed information concerning the "Transactions of Greater Importance". The Committee may request further information and

provide observations to the bodies or entities responsible for conducting the negotiations or investigation. In order to provide these opinions, the Committee may be assisted by one or more independent experts with recognised skill and experience in the issues involved in the transaction, as appointed by the Chief Executive Officer (CEO) upon recommendation by the Committee itself and with expenses to be borne by the Company. For each individual “Transaction of Lesser Importance”, an upper spending threshold has been set at 0.5% of the value of the transaction and, in any event, no greater than €20,000.00, unless otherwise authorised by the Board of Directors due to particular needs or circumstances. In any event, the Committee is responsible for managing relations with the independent experts, and the opinions of said experts are to be provided to the Committee itself.

The Board of Directors authorises the “Transactions of Greater Importance”:

- based on the favourable opinion of the Control and Risks Committee in the interest of the Company upon completion of the transaction and the fairness and appropriateness of the underlying terms and conditions; or
- upon favourable vote of the majority of unrelated directors – i.e. directors other than the counterparty involved in a given transaction and the related parties in said transaction – without prejudice to the majority needed in order to pass resolutions of the Board as defined by the Company’s Bylaws.

Even in the event of an unfavourable opinion by the Control and Risks Committee or majority vote against by the unrelated directors, the Board of Directors may approve a “Transaction of Greater Importance” under the following circumstances: (i) an ordinary Shareholders’ Meeting has previously authorised the transaction; (ii) unrelated shareholders, i.e. those who hold the right to vote in the Shareholders’ Meeting other than the counterparty in a particular transaction and subjects related to both the counterparty in a particular transaction and to the Company, in attendance at the Shareholders’ Meeting represent at least ten percent of share capital with voting rights, whenever the majority of unrelated voting shareholders vote against the operation. To this end, prior to the start of shareholder deliberations, those with voting rights are required to report any connections they may have to the specific transaction to be approved or to declare the lack thereof in writing.

Without prejudice to the rules for the application contained in the Regulation on Related Party Transactions, the rules concerning the approval and execution of “Transactions of Greater Importance” were applied starting on the date after the approval of the financial statements for the second year after the year of listing, in compliance with Art. 10 of the Regulation on Related Party Transactions for “recently listed companies”.

“Transactions of Lesser Importance” are to be approved by the Board of Directors and the other delegated bodies based on the justified, non-binding opinion of the Control and Risks Committee on the interest of the Company at the completion of the transaction and the fairness and appropriateness of the underlying terms and conditions.

Resolutions of the Board of Directors approving a “Transaction of Lesser Importance” must be properly supported based on the benefit to the Company of executing the transaction and the fairness and appropriateness of the underlying terms and conditions. If a related party transaction falls under the purview of the Shareholders’ Meeting or must be authorised by the Shareholders’ Meeting, the same procedures described above, *mutatis mutandis*, must be followed, making the distinction as to whether it is a Transaction of Greater Importance or a Transaction of Lesser Importance. In such cases, the Control and Risks Committee must

issue a reasoned opinion at the time of approval, by the Board of Directors, of the resolution proposal to be submitted to the Shareholders' Meeting.

Without prejudice to the specific obligations of communication and disclosure for each situation of exemption, the provisions of the Related Party Procedure shall not be applied to the related party transactions described below.

Transactions for Smaller Amounts: these are transactions with related parties in which the expected maximum amount to be paid or the expected maximum value of the service to be provided to the Company does not exceed, for each transaction, €200,000.00 (or equivalent value in a foreign currency), including in the event of related-party transactions executed with a given related party that are of similar type or executed based on a single plan when considered cumulatively.

Certain types of intragroup transactions: transaction with or between subsidiaries, including collectively, as well as to transactions with associated companies, so long as there are no interests of other related parties of the Company in the subsidiaries or associates that qualify as “significant” under the Related Party Procedures.

Regular transactions: regular transactions are transactions with related parties, including those that qualify as “Transactions of Greater Importance”, which: (i) are transactions carried out as part of the regular business or related financial activities of the Company (or of the subsidiary, in the case of transactions with related parties in which subsidiaries of Rai Way are involved) and (ii) are completed in market-equivalent or standard terms. This exemption does not apply to “regular transactions” executed with the entity that controls the Company.

Shareholder resolutions concerning compensation and remuneration plans for the Board of Directors, the Board of Statutory Auditors and, under certain conditions, senior management with strategic responsibilities: in accordance with Articles 2389, paragraphs 1 and 3, and 2402 of the Italian Civil Code and Article 114-*bis* TUF.

Instructions of supervisory authorities: that are issued, either directly or with regard to the parent company, for the purposes of stability and in the interest of stability for the group.

Urgent situations: on the condition that certain specific controls are respected.

The full text of the Related Party Procedure is available for viewing on the Company's website [www.raiway.it](http://www.raiway.it) under the section Corporate Governance.

As noted under Section 9.1 of the Report with regard to activities related to the provision of opinion on related party transactions, for each individual transaction concerned, the members of the Control and Risks Committee must not be counterparties in the transaction or otherwise related to such counterparties. Should a member of the Control and Risks Committee be a counterparty in the transaction (or a party related to the counterparty), said member must notify the Chairmen of the Board of Directors and of the Control and Risks Committee in a timely manner and abstain from the deliberations of the Committee concerning the transaction in which this relation exists.

In such cases, the Chairman of the Board of Directors, having heard the opinion of the Chairman of the Control and Risks Committee, shall take immediate steps to replace the member of the Committee with the conflict and shall contact and select another independent, unrelated member of the Board of Directors.

This Procedure, which was in effect throughout 2018, and remains in effect as of the date of approval of this Report, has been subject to a periodical assessment for a possible revision. The Board of Directors (upon a review carried out by the Control and Risks Committee) has found it unnecessary to make any changes to the Procedure. The Board of Statutory Auditors was in attendance for the deliberations of both the Control and Risks Committee and the Board of Directors.

## 12. APPOINTMENT OF STATUTORY AUDITORS

In accordance with prevailing laws and regulations applicable to publicly listed companies, appointment of the Board of Statutory Auditors is done by the shareholders based on slates and following the procedures established under Article 28 of the By-laws as described below.

Appointment of standing and substitute Auditors is done by way of slates presented by eligible parties, on which candidates are to be listed in numerical order. The slates are to be divided into two lists, one with up to three candidates for the position of standing Auditor and up to two candidates for the position of substitute Auditor. At least the first two candidates for the position of standing Auditor and at least the first candidate for the position of substitute Auditor as shown in their respective lists must be registered statutory auditors and must have experience in providing account auditing services for no fewer than three years. Candidates that are not registered statutory auditors and do not have at least three years of experience in the field must have a total of at least three years of experience in fields specified under Art. 28, paragraph 2 of the By-laws (see Part 13 of this Report). Each list for the appointment of standing and substitute Auditors must include a number of candidates of the least represented gender that ensures observance, on the list itself, of gender balance at least to the minimum extent required by applicable laws and regulations. Candidates appearing on more than one slate will become ineligible for the position of auditor.

In order to be valid, slates must be submitted to the Company headquarters, also by means of remote communication, in accordance with the procedures published in the notice of call for the shareholders' meeting to appoint the statutory auditors and in a manner that allows for verification of the identity of the party making the submission at least 25 days (or as otherwise required by prevailing legislation) prior to the date of the Shareholders' Meeting. Slates are then to be made available for viewing at the Company's headquarters and published on the Company's web site or by other means envisaged by applicable laws and regulations at least 21 days (or as otherwise required by prevailing legislation) prior to the date of the Shareholders' Meeting. Minority shareholders who do not have ties to the shareholders concerned, shall be entitled to extend the deadline for submitting slates as allowed by applicable laws and regulations.

Each party eligible to vote (as well as: (i) eligible parties belonging to the same group, i.e. a group consisting of the individual or company exercising control as defined by Article 2359 of the Italian Civil Code and each subsidiary or joint venture over which said party exercises control; or (ii) participants in a shareholder agreement as defined by Article 122 of the Consolidated Law on Finance or (iii) eligible parties who are connected by way of other relevant means as defined by applicable laws and regulations) may submit or be involved in the submission of only one slate in the same way that each candidate may appear on only one slate. Failure to comply will result in ineligibility.

In order to submit slates, parties must be eligible to vote and must hold, individually or together with others, shares with voting rights representing at least the percentage of share capital specified by prevailing laws and regulations (currently equal to 1% based on the provisions set forth by CONSOB with resolution no. 13 of 24 January 2019). Ownership of the minimum number of shares required for the submission of slates is, where applicable, determined based on the shares registered for the individual shareholder or group of shareholders submitting jointly as of the date on which the slates are submitted to the Company. Ownership of the number of shares required for the submission of slates must be certified in accordance with applicable laws and regulations. Said certification may be

provided to the Company after the submission of the slate so long as it is provided by the date set for publication of the slates by the Company.

Together with the slates, eligible parties submitting the slates must also provide any additional documentation and declarations as required by applicable laws and regulations. Slates for which the obligations described above are not met will be considered null and void.

Each shareholder with voting rights may only vote for one list.

The members of the Board of Statutory Auditors shall be elected as follows:

- a) a) two (2) standing Auditors and one (1) substitute Auditor are selected, in the order in which they are listed, from the slate that obtained the greatest number of valid votes;
- b) the remaining standing Auditor and the remaining substitute Auditor (i.e. the “Minority Standing Auditor” and the “Minority Substitute Auditor”, respectively) are then selected, in the order in which they are listed, from the slate that obtained the highest number of votes after the slate specified under letter a) above and that is not connected in any way, directly or indirectly, with the parties eligible to vote who submitted or voted for the slate from letter a).

The Minority Standing Auditor then acts as the Chairman of the Board of Statutory Auditors.

In the event that only one slate is submitted, no slate is submitted, or there is an insufficient number of candidates on the slates submitted compared to the number to be elected, the ordinary Shareholders' Meeting shall appoint the members of the board or select the additional members by majority vote. In the event of a tie in the number of votes received, a second ballot for the candidates concerned is to be held by the Shareholders' Meeting in order to break the tie. Shareholders' Meeting must, in any event, ensure gender balance as required by applicable laws and regulations.

In the event of the death, withdrawal, or other termination of a standing Auditor, said Auditor is to be replaced by the substitute Auditor elected from the same slate as the outgoing Auditor and in the order listed on the slate while maintaining the minimum number of members registered as statutory auditors that have at least three years of experience in the field and continuing to observe the principle of gender balance. Should this not be possible, the outgoing Auditor is to be replaced by the substitute auditor with the necessary characteristics on the minority slates receiving the most votes in the order of number of votes and order of the candidates on the slates. In the event the Auditors were not appointed by way of slates, the substitute Auditor is to be selected in accordance with applicable laws and regulations. If the Chairman of the Board of Statutory Auditors needs to be replaced, the incoming substitute Auditor will then assume the role of Chairman. The shareholders, at their meeting held in accordance with Article 2401, paragraph 1 of the Italian Civil Code, are required to appoint or replace statutory Auditors in accordance with the principles of minority representation and gender balance. In the event of failure of a substitute Auditor to be confirmed by this shareholders' meeting for the role of standing Auditor, said Auditor will return to the role of substitute Auditor.



### 13. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (ART. 123-BIS, PARAGRAPH 2, LETTER D) TUF)

In accordance with Art. 28 of the By-laws and in compliance with applicable laws and regulations, at least two standing Auditors and one substitute Auditor must have been registered for at least three years as statutory auditors and have at least three years of experience in the field. Auditors that are not registered statutory auditors must have a total of at least three years of experience in:

- (i) administration or auditing or other directional responsibilities for corporations with share capital of no less than two million euros;
- (ii) professional activity or university tenure in the fields of law, economics, finance, or other subjects which are closely related to the Company's business; or
- (iii) senior management functions within government or public organisations in the fields of finance, banking, or insurance, or in other fields closely related to the Company's business.

The Company's Board of Statutory Auditors in office as of the date of this Report was appointed by the shareholders at the meeting held on 23 April 2018 and will remain in office until approval of the financial statements for the year ending 31 December 2020.

The table below provides information on each member of the Board of Statutory Auditors in office as of the date of this Report.

NAME AND SURNAME	POSITION	PLACE AND DATE OF BIRTH
Silvia Muzi	Chairman	Rome, 18 July 1969
Maria Giovanna Basile	Standing Auditor	Avellino, 6 October 1962
Massimo Porfiri	Standing Auditor	Rome, 18 July 1956
Paolo Siniscalco	Substitute Auditor	Naples, 19 July 1967
Nicoletta Mazzitelli	Substitute Auditor	Rome, 4 August 1962

At the time of the Shareholders' meeting on 23 April 2018, these Auditors in office were taken from the list of candidates presented by the majority shareholder RAI – Radiotelevisione italiana S.p.A. ("majority list"), with the exception of the Chairman of the Board of Statutory Auditors, Silvia Muzi, and the substitute Auditor, Paolo Siniscalco, who were taken from the list presented by some investment funds and institutional investors ("minority list").

No changes to the composition of the Board of Statutory Auditors were made after 31 December 2018. For the sake of full disclosure, it should be noted that the composition of the Board of Statutory Auditors complies with applicable laws and regulations concerning gender balance.

Note that, at the date of appointment of the Board of Statutory Auditors in office, the recommendation, as set out in the Corporate Governance Code and aimed at shareholders, had not yet been issued, according to which the remuneration of statutory auditors should

be appropriate to the commitment required, the importance of the office held, and the Company's size and business sector.

Further details concerning the Board of Statutory Auditors are provided in [Table 3](#) below.

In 2018, the Board of Statutory Auditors met thirteen times with all members in office attending. The meetings had an average duration of 2.16 hours.

In 2019, the Board of Statutory Auditors is expected to meet whenever it is deemed necessary in order to properly and effectively fulfil its duties. As of the date of this Report, three meetings had already been held.

We provided below is a summary of the qualifications and experience of the members of the Board of Statutory Auditors in office as of the date of this Report, based on information provided by the individuals concerned.

**Silvia Muzi.** Born in Rome in 1969. In 1994, she graduated from the Sapienza University of Rome with a degree in Business and Economics. In 1996, she qualified as a Chartered Accountant and became an Independent Auditor in 1999. She began her career as the joint proprietor of a certified public accounting firm, specialising in taxation and corporate accounts. She completed a Masters in "Business taxation and extraordinary transactions". In 1999, she became the sole proprietor of the firm in her own name in Rome. She completed Masters in "Contract Law and International Trade" and "Company Law" at the Law Society of England and Wales in London, attended the "Highly Specialised Course in International Taxation" at the Scuola Superiore dell'Economia e delle Finanze (now Scuola Nazionale dell'Amministrazione) coordinated by Professor Maurizio Leo, and participated in Induction Sessions and the relative follow-ups for Directors and Auditors of listed companies organised by Assonime and Assogestioni. She also completed a Masters in "The taxation profiles of the IFRS. New accounting models, new taxation disciplines and application problems" organised by Assonime. Silvia Muzi is a member of the Board of Statutory Auditors for various share capital companies, and is the Chairwoman of the Board of Statutory Auditors of Cementir Holding S.P.A. (listed on the Milan Stock exchange under the STAR segment), Bonifica S.p.A. and Istituto Finanziario S.p.A. She is the Chairwoman of the Board of Statutory Auditors of AIB Associazione Italiana Biblioteche. Her previous positions include Chairwoman of the Board of Statutory Auditors of Ansaldo T&D Europe S.p.A. and member of the Board of Statutory Auditors of Laziodisu (a Public Body in the Lazio Region which promotes the right to university education) and Azienda Sanitaria Locale Roma D. Since 2008 Silvia Muzi has acted as a consultant for Assonime. Proficient in English, she has a good understanding of Spanish and Russian.

**Maria Giovanna Basile.** Born in 1962, she graduated from the Sapienza University of Rome with a degree in Business and Economics. She has been registered with the Italian National Council of Accounts and Business Advisors since 1992 and in the Register of Statutory Auditors since 1995. She currently works in Rome and is the co-owner of the accounting firm "Studio di Consulenza Societaria e Tributaria". She provides tax and corporate advisory services and holds the position of statutory auditor in privately-owned companies and in publicly-owned companies operating in different sectors, as well as sitting on Supervisory Boards.

**Massimo Porfiri.** Born in Rome in 1956, he graduated from the Sapienza University of Rome with a degree in Business and Economics. He is registered in the Register of Chartered Accountants of Rome and the Register of Statutory Auditors. He was employed as an

accountant at studio Palandri in Rome from 1980 to 1986, and then from 1987 to 2018 was a partner at Studio Muci & Associati. Since 1 January 2019, he is a partner at Studio Porfiri – Muci. Mr. Porfiri specialises in tax and corporate issues and is an advisor to the Italian Episcopal Conference. He is an internal auditor for a number of national companies in the fields of healthcare, publishing, design and construction of major oil and gas plants. He is also an auditor of Università Cattolica del Sacro Cuore and Fondazione Policlinico Universitario Agostino Gemelli. He is a member of the Board of Directors of several religious entities and companies (Italian Episcopal Conference and Holy See) with particular focus on the communications sector. Specifically, he is the Managing Director of the company Rete Blu SpA, broadcaster of the television channel (digital terrestrial and satellite broadcasting) of TV 2000 and he is a member of the Board of Statutory Auditors of the newspaper Avvenire.

**Paolo Siniscalco.** Graduated in Economics and Business from La Sapienza University of Rome, he is a member of the Association of Chartered Accountants in Rome and the Institute of Internal Auditors. A founding member of Siniscalco & Partners, he has dedicated much of his professional career to the study of taxation law, exploring particularly complex themes. Over the years he has gained significant experience of merger and acquisition transactions at national and international level, as well as the restructuring of industrial groups. Paolo Siniscalco has acted as a Member of the Board of Directors and the Board of Statutory Auditors for leading Share Capital Companies, mainly in the public sector. Since September 2013, he has dedicated himself personally to the development of the Siniscalco & Partners New York branch, fulfilling the role of CEO of Siniscalco & Partners LLC and offering consultancy services to companies that wish to reach objectives on a global scale, also thanks to the partnership with Grassi & Co., one of the leading accounting firms in New York and the United States.

**Nicoletta Mazzitelli.** Born in Rome in 1962. She graduated with top marks in Business and Economics at "LUISS" University of Rome. She is a Chartered Accountant and Registered Auditor in Rome. She is a Partner of Studio Legale e Tributario, EY's Italian branch - where she leads the VAT, Customs and other Indirect Tax service line. She has worked at the Rome office of EY (formally Ernst & Young) since 2012. Past experience includes 12 years working in the tax department of Arthur Andersen, 2 of which at the office in London, and 11 years as partner at CBA Studio Legale e Tributario. She is President of the VAT Commission of the Association of Chartered Accountants and Accounting Professionals of Rome. She is a speaker at conventions, both in Italy and around the globe, on VAT issues; Lecturer at Master Ipsoa at the 2010, 2011, 2013 and 2014 editions. She has over twenty years of experience in indirect tax matters, provides assistance on an ongoing basis to major Italian and multinational companies operating in different sectors, on problems concerning Value Added Tax, customs and excise duties. She has participated in numerous corporate reorganisation projects in complex organisations, gaining considerable experience in matters concerning indirect taxation regarding supply chain restructuring projects and optimising cash flows. She provides assistance to customers in implementing management systems, with regard to correct identification and coding of transactions for VAT purposes, and, more generally, in compliance obligations.

All Auditors must meet the eligibility, professional competence and integrity requirements provided for by law and any other applicable regulations. Furthermore, pursuant to the recommendations set out in Criteria 8.C.1 of the Corporate Governance Code, Article 28 of the By-laws requires that all Auditors must meet the independence requirements laid down in the Corporate Governance Code.

Pursuant to Article 144-*novies* of the Issuers' Regulations and the abovementioned Criteria, the Board of Directors and the Board of Statutory Auditors are responsible for evaluating whether the members of the Board of Statutory Auditors meet the requirements specified above:

- (i) after the appointment, the outcome of which shall be disclosed to the market through a press release;
- (ii) on an annual basis, reporting the results thereof in the annual corporate governance report.

After its appointment, occurred as indicated above at the Shareholders' Meeting held on 23 April 2018, the Board of Statutory Auditors verified that the independence requirements, as well as all other requirements, had been met by its members and reported the outcome of these assessments to the Board of Directors.

Again after appointment of the Board of Statutory Auditors, the Board of Directors verified that all members of the Board of Statutory Auditors met the professional expertise and integrity requirements pursuant to Art. 148 TUF and Regulation adopted with Decree no. 162/2000 issued by the Ministry of Justice and also acknowledging compliance with the limits on the number of offices held, pursuant to Art. 144-*terdecies* of the Issuers' Regulations.

The Auditors took part in several of the initiatives reported in Section 4.2.2. above, also considered as an induction held in 2018 during the meetings of the Board of Directors and Board committees as well as some in-depth analysis dedicated to the Chair of the Board of Statutory Auditors in office since 23 April 2018, appointed for the first time to a position on the Board. It should be noted, notwithstanding the foregoing, that, in view of the fact that the majority of the other members of the Board of Statutory Auditors have been in office for several years and their specific background, the Board of Statutory Auditors believes they have adequate knowledge of the business sector in which the Company operates, and that the business dynamics and trends, updated during Board meetings, which the Board of Statutory Auditors has regularly attended, as well as the relevant regulatory framework, are well understood by them.

In addition to the provisions of the Related Party Procedure (for a description, see Part 11 above), it was decided not to formalise specific procedural indications regarding the case in which a member of the Board of Statutory Auditors has an interest, either directly or through a third part, in a given transaction.

The Board of Statutory Auditors, in performing its activities, may coordinate with the Audit function and with the Control and Risks Committee, in particular, as reported above, by taking part in the meetings of the aforesaid Committee. As previously stated, the Board of Statutory Auditors was also informed of the activities of the Company's Supervisory Board, receiving periodic reports from the latter and other information exchanges.

#### 14. RELATIONS WITH SHAREHOLDERS

Rai Way has created two special sections on its website ([www.rairway.it](http://www.rairway.it)): “Corporate Governance” and “Investor Relations”. These sections, which are easily found and accessible, contain information concerning the Issuer that is important for its shareholders (so that shareholders are able to exercise their rights in an informed manner) with particular focus on the documentation and information relating to the Shareholders’ Meetings. In particular, these sections include up-to-date key financial documents, the presentations used for meetings with representatives of the financial community and communications disclosed to the market.

Pursuant to Criterion 9.C.1 of the Corporate Governance Code, relationships with the shareholders are handled by the Investor Relations function which was established by the Board of Directors and was initially the responsibility of the Chief Financial Officer. Subsequently, the Board of Directors appointed Mr. Giancarlo Benucci as Manager of the Investor Relations Function. Giancarlo Benucci has taken office in January 2015 and has remained in that position for the entire 2018, as of the date of this Report.

The Investors Relations function, reporting to the Chief Financial Officer, is responsible for coordinating and managing the Company’s communications to the financial market and addresses the institutional investors, analysts and individual investors.

## 15. SHAREHOLDERS' MEETINGS (ART. 123-BIS, PARAGRAPH 2, LETTER C) TUF)

For 2018, only one Shareholders' Meeting was held, on 23 April 2018, at which 91.76 % of the share capital was represented.

Five members of the Board of Directors and the three standing Auditors in office at that date attended this Shareholders' Meeting. During this Shareholders' Meeting, the Chairman of the Board of Directors and the CEO reported on the activities carried out and planned, providing the shareholders with adequate information for them to take informed decisions, making available to them all documentation prepared on each agenda item on the agenda before the meeting, in accordance with the procedures and deadlines laid down by law and the By-laws.

The provisions relating to the Shareholders' Meeting, in particular concerning the call notice, the right to attend, in person or by proxy, its chairmanship and constitution and validity of the resolutions, are contained in Title IV of the Bylaws under Articles 12 to 16 (included).

For a description on the matters that fall within the exclusive competence of the Board of Directors, see Section 4.3 of this Report.

The By-laws do not provide for particular quorums and therefore as regards the valid constitution of the Shareholders' Meeting and the resolutions passed the provisions of law shall apply. Furthermore, the possibility to issue shares with increased voting rights pursuant to Article 127-*quinquies* TUF is not provided for.

Pursuant to Art. 13 of the By-laws, if stated in the notice of call, the holders of voting rights may participate in the Shareholders' Meeting using telecommunication facilities and exercise their voting rights using electronic means, according to the procedure indicated in the notice. It was not deemed necessary to provide for these methods of participation with regard to the Shareholders' Meeting held in 2018.

On 4 September 2014, the Shareholders' Meeting adopted the Shareholders' Meeting Regulation designed to ensure that the meetings are conducted in an orderly and functional manner. The Shareholders' Meeting Regulations, to which reference should be made, is publicly available on the Company's website [www.raiway.it](http://www.raiway.it) (under Governance/Shareholders' Meeting).

For the purposes of Criterion 9.C.3. of the Corporate Governance Code, the Shareholders' Meeting Regulations requires that the Chairman presides over the discussions. Those who are entitled to take part, the directors and auditors have the right to speak out on each item being discussed and to make proposals relating to those items. Those entitled to participate and intend to take the floor must submit a written request to the Chairman, after the items on the agenda have been read out loud and before the Chairman declares the discussion on the item in question closed. The Chairman may authorise requests to take the floor by raising of hands. If requests are made in writing, the Chairman shall give the floor based on the order in which the requests to take the floor were received. If requests to take the floor are made by the raising of hands, the Chairman shall grant the floor to the person who raised his/her hand first; if it is not possible to determine who raised his/her hand first, the Chairman shall grant the floor in accordance with the order he establishes, at his sole discretion.

In the year ended 31 December 2018, no significant changes have occurred in the market capitalisation of the Issuer's shares or in the composition of its corporate structure, regarding

which the Board did not have to assess the opportunity to propose to the Shareholders' Meeting changes to the By-laws regarding the percentage portions for being able to exercise the prerogatives/actions applicable to the protection of minority interests.

**16. OTHER CORPORATE GOVERNANCE PRACTICES (ART. 123-BIS, PARAGRAPH 2, LETTER A) TUF)**

The Company has not adopted additional corporate governance practices, over and above any legal or regulatory obligations, other than those already indicated in the previous sections of this Report.



## **17. CHANGES AFTER THE REPORTING PERIOD**

From 31 December 2018 to the date of this Report, there have been no significant changes in the Company's governance structure.

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## **18. COMMENTS ON THE LETTER DATED 21 DECEMBER 2018 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

In the letter dated 21 December 2018, the chairman of the Corporate Governance Committee provided recommendations on the Corporate Governance Code. The contents of the letter were presented to the Board committees and then the Board of Directors during meetings held on 28 January 2019; a final Board discussion - taking also into account the comments made by the Committees for the matters within their area of competence - took place at the meeting held on 14 March 2019. We refer to the comments made in the corresponding sections of this Report dealing with the different aspects highlighted in the afore-mentioned letter (independence of the Directors, pre-Board information, self-assessment of the Board of Directors, remuneration, in this last case making reference to the Remuneration Report).

Rome, 14 March 2019

For the Board of Directors

The Chairman

Raffaele Agrusti

**TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE**

<b>STRUCTURE OF THE SHARE CAPITAL</b>				
	No. of shares	% of share capital	Listed (enter the markets) / unlisted	Rights and obligations
Ordinary shares	272,000,000	100%	MTA	Ordinary pursuant to law
Shares carrying multiple voting rights	0	0	-	-
Shares with limited voting rights	0	0	-	-
Shares without voting rights	0	0	-	-
Other	-	-	-	-

<b>OTHER FINANCIAL INSTRUMENTS</b> <b>(attributing the right to subscribe newly issued shares)</b>				
	Listed (enter the markets) / unlisted	Number of outstanding instruments	Category of shares serving the conversion/exercise	Number of shares serving the conversion/ exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

<b>SIGNIFICANT EQUITY INVESTMENTS</b>			
Declarant	Direct shareholder	% of ordinary capital	% of voting capital
RAI – RADIOTELEVISIONE ITALIANA SPA (Company controlled by the Italian Ministry of Economy and Finance)	RAI - RADIOTELEVISIONE ITALIANA SPA	64.971 <sup>(13)</sup>	64.971
ARTEMIS INVESTMENT MANAGEMENT LLP	ARTEMIS MANAGEMENT LLP (through managed funds)	10.024 <sup>(14)</sup>	10.024
BLACKROCK INC.	BLACKROCK INSTITUTIONAL TRUST COMPANY, NATIONAL ASSOCIATION (0.275); BLACKROCK ADVISORS (UK) LIMITED (0.077); BLACKROCK INVESTMENT MANAGEMENT (AUSTRALIA) LIMITED (0.046); BLACKROCK INVESTMENT MANAGEMENT LLC (1.515); BLACKROCK FUND ADVISORS (0.129); BLACKROCK ADVISORS LLC (2.956) BLACKROCK (NETHERLANDS) BV (0.005); BLACKROCK ASSET MANAGEMENT CANADA LIMITED (0.003)	5.006 <sup>(15)</sup>	5.006

<sup>(13)</sup> Source: minutes of Shareholders' Meeting held on 23 April 2018.

<sup>(14)</sup> Source: CONSOB website ([www.consob.it](http://www.consob.it)), updated as at the date of this Report.

<sup>(15)</sup> Source: CONSOB website ([www.consob.it](http://www.consob.it)) updated as at the date of this Report.

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES IN 2018

Position	Board of Directors											Control and Risks Committee		Remuneration and Appointment Committee		
	Members	Date of birth	Date of first appointment*	In office since	In office until	List **	Exec.	Non-exec.	Indep. Code	Indep. TUF	No. of other offices ***	(*)	(*)	(**)	(*)	(**)
<b>Chairman</b>	Raffaele Agrusti ●	1957	April 2016	28/04/2017	AGM to approve the 2019 financial statements	M		■			2	12/12				
<b>Chief Executive Officer</b>	Aldo Mancino ◇	1964	April 2017	28/04/2017	AGM to approve the 2019 financial statements	M	■				0	12/12				
<b>Director</b>	Joyce Victoria Bigio	1954	September 2014	28/04/2017	AGM to approve the 2019 financial statements	M		■	■	■	1	12/12			9/9	<b>M</b>
<b>Director</b>	Fabio Colasanti	1946	September 2014	28/04/2017	AGM to approve the 2019 financial statements	M		■	■	■	0	12/12	11/11	<b>M</b>		
<b>Director</b>	Anna Gatti	1972	October 2014	28/04/2017	AGM to approve the 2019 financial statements	M		■	■	■	1	12/12			9/9	<b>P</b>
<b>Director</b>	Umberto Mosetti	1965	April 2017	28/04/2017	AGM to approve the 2019 financial statements	m		■	■	■	2	11/12	5/11	<b>M</b>		
<b>Director</b>	Donatella Sciuto	1962	April 2017	28/04/2017	AGM to approve the 2019 financial statements	M		■	■	■	2	12/12			7/9	<b>M</b>
<b>Director</b>	Gian Paolo Tagliavia	1969	April 2017	28/04/2017	AGM to approve the 2019 financial statements	M		■			1	10/12				
<b>Director</b>	Paola Tagliavini	1968	April 2017	28/04/2017	AGM to approve the 2019 financial statements	M		■	■	■	4	12/12	11/11	<b>P</b>		
<b>No. meetings held during the Reference Period: 12</b>							<b>Control and Risks Committee: 11</b>				<b>Remuneration and Appointments Committee: 9</b>			<b>Executive Committee: N/A</b>		
<b>Specify the quorum required for the presentation of minority lists for the election of one or more members (pursuant to Art. 147-ter TUF): 1 % (CONSOB Resolution no. 13 of 24 January 2019)</b> (16)																

NOTES

(16) At the time of appointment of the Board of Directors, which took place at the Shareholders' Meeting on 28 April 2017, the required quorum for the submission of minority lists, pursuant to CONSOB Resolution no. 19856 of 25 January 2017, was 2.5%.

The following symbols must be included in the column "Office":

- This symbol indicates the director in charge of the internal control and risk management system.

- ◊ This symbol indicates the individual with primary responsibility for operations of the Issuer (Chief Executive Officer or CEO).

- This symbol indicates the Lead Independent Director (LID), if any.

\* Date of first appointment for each director means the date on which the director was appointed to the Issuer's Board of Directors for the very first time. It should be noted that, for the Directors appointed in September and October 2014, the appointments became effective as on the First Trading Day.

\*\* This column indicates the list from which each director was taken ("M": majority list; "m": minority list; "BoD": list presented by the BoD).

\*\*\* This column indicates the number of offices held by the director or statutory auditor in companies listed in regulated markets (including foreign), in financial, banking or insurance companies or in large companies. The offices are listed in detail in the Report.

(\*). This column indicates the attendance of Directors at the meetings of the Board of Directors and Committees held in the respective office periods.

(\*\*). Qualification of the director within the Committee: "P": Chairman; "M": member.

"**Reference Period**" means the period between 1 January and 31 December 2018.

**TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS IN 2018**

<b>Position</b>	<b>Members</b>	<b>Date of birth</b>	<b>Date of first appointment*</b>	<b>In office since</b>	<b>In office until</b>	<b>List **</b>	<b>Indep. Code</b>	<b>Attendance at Board meetings ***</b>	<b>No. offices ****</b>
<b>Chairman</b>	Silvia Muzi	1969	April 2018	23/04/2018	AGM to approve the 2020 financial statements	m	■	7/7	7
<b>Standing Auditor</b>	Maria Giovanna Basile	1962	September 2012	23/04/2018	AGM to approve the 2020 financial statements	M	■	13/13	13
<b>Standing Auditor</b>	Massimo Porfiri	1956	April 2015	23/04/2018	AGM to approve the 2020 financial statements	M	■	12/13	21
<b>Substitute Auditor</b>	Nicoletta Mazzitelli	1962	April 2015	23/04/2018	AGM to approve the 2020 financial statements	M	N/A	N/A	N/A
<b>Substitute Auditor</b>	Paolo Siniscalco	1967	April 2018	23/04/2018	AGM to approve the 2020 financial statements	m	N/A	N/A	N/A
<b>-----AUDITORS WHO LEFT OFFICE DURING THE FINANCIAL YEAR-----</b>									
<b>Position</b>	<b>Members</b>	<b>Date of birth</b>	<b>Date of first appointment*</b>	<b>In office since</b>	<b>In office until</b>	<b>List**</b>	<b>Indep. Code</b>	<b>Attendance at Board of Statutory Auditors' meetings ***</b>	<b>No. offices ****</b>
<b>Standing Auditor</b>	Giovanni Galoppi	1956	September 2012	28/04/2015	23/04/2018	M	■	6/6	N/A
<b>Substitute Auditor</b>	Roberto Munno	1966	September 2012	28/04/2015	23/04/2018	M	N/A	N/A	N/A
<b>Number of meetings held during the Reference Period: 13</b>									
<b>Specify the <i>quorum</i> required for the presentation of minority lists for the election of one or more members (pursuant to Art. 148 TUF): 1 % (CONSOB resolution no. 13 of 24 January 2019)</b>									

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## NOTES

\* Date of first appointment for each auditor means the date on which the auditor was appointed to the Issuer's Board of Statutory Auditors for the very first time.

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

\*\*\* This column indicates the auditor's attendance at meetings of the Board of Statutory Auditors held while the auditor was in office.

\*\*\*\* This column indicates the number of offices held by the individual as director or statutory auditor (including those held at the Company) pursuant to art 148-*bis* TUF and the implementing provisions contained in the CONSOB Issuers' Regulations. The entire list of offices is published by CONSOB pursuant to Art. 144-*quinquiesdecies* of the CONSOB Issuers' Regulation, on its website. For the Standing Auditor who has left during the year, reference is made to termination date.

“**Reference Period**” means the period between 1 January and 31 December 2018.