



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

**FINANCIAL PERIOD 2019**

(Report approved by the Board of Directors on March 12, 2020)

**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.**

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## 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 Section 10.3.2 of this Report.
<b>Board of Directors/Board</b>	The Board of Directors of Rai Way.
<b>Board of Statutory Auditors</b>	The Board of Statutory Auditors of Rai Way.
<b>Board Regulations</b>	The rules and regulations of the Board of Directors, approved by this Board, in accordance with Article 23.1 of the By-laws, which governs the functioning and powers of the Board, in compliance with the provisions of law and the By-laws.
<b>Borsa Italiana</b>	Borsa Italiana S.p.A., with registered office at Piazza Affari, no. 6, Milan (Italy).
<b>By-laws</b>	The By-laws of Rai Way.
<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>Corporate Governance Code</b>	The Italian Corporate Governance Code for Listed Companies approved in July 2018 by the Corporate Governance Committee.
<b>First Trading Day</b>	The first day Rai Way's shares were traded on the Italian Stock Exchange (MTA), i.e. November 19, 2014.
<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 November 19, 2014.
<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>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>Issuers' Regulations</b>	The CONSOB ( <i>Commissione Nazionale per le Società e la Borsa</i> ) regulations adopted with resolution no. 11971 of May 14, 1999, as amended.
<b>Management and Coordination Regulations</b>	These regulations cover the management and coordination activities exercised by Rai on Rai Way, approved by the Board of Directors of the Issuer and the Parent Company on September 4, 2014 and effective as of the First Trading Day.
<b>Manager in charge of preparing the corporate documents</b>	The manager in charge of preparing the corporate documents, pursuant to Article 154- <i>bis</i> of the TUF, referred to in Section 10.3.6 of this Report.
<b>Manager of the Audit Function</b>	The subject responsible for the Audit function, pursuant to Section 10.3.4 of this Report.
<b>Market Regulations</b>	The regulations approved by CONSOB ( <i>Commissione Nazionale per le Società e la Borsa</i> ) with resolution no. 20249 of December 28, 2017, as amended.
<b>Model 231 or Model</b>	The organizational model pursuant to Legislative Decree no. 231 of June 8, 2001, 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 Passive Service Agreement</b>	The agreement for the provision of services signed on July 31, 2014 (effective from July 1, 2014 and as subsequently amended) between Rai, as supplier, and Rai Way, as principal.
<b>New Service Agreement</b>	The service agreement signed on July 31, 2014 (effective from July 1, 2014 and as subsequently amended) between Rai Way, as supplier, and Rai, as principal, for the provision of “turnkey” services.
<b>Rai Group or Group</b>	The group of companies led by Rai (as defined below), which includes its subsidiaries pursuant to Article 2359 of the Italian Civil Code.
<b>Rai or Parent Company</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>Regulations on Related Party Transactions</b>	Regulations containing provisions relating to transactions with related parties, adopted by CONSOB ( <i>Commissione Nazionale per le Società e la Borsa</i> ) with resolution no. 17221 on March 12, 2010, as amended.
<b>Related Party Procedure</b>	The procedure concerning related party transactions, adopted by the Company in accordance with the provisions of Article 2391- <i>bis</i> of the Italian Civil Code and the Regulation on Related Party Transactions (as defined below).
<b>Report</b>	This report on corporate governance and the ownership structure.
<b>Shareholders' Meeting</b>	The Shareholders' Meeting of Rai Way.
<b>Shareholders' Meeting Regulations</b>	The Shareholders' Meeting regulations, pursuant to Criterion 9.C.3 of the Corporate Governance Code, in order to permit an orderly and effective conduct of Shareholders' Meetings.
<b>Supervisory Board</b>	The supervisory board pursuant to Legislative Decree no. 231 of June 8, 2001, as amended.
<b>TUF</b>	Legislative Decree no. 58 of February 24, 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 November 19, 2014 (i.e. the date of completion of the Global Sales 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 (in its current version) on September 4, 2014; as of that date, the Company gradually adopted a number of resolutions to bring its corporate governance system into line with this Code, starting on the First Trading Day. As at the date of this Report, the Company adopts the recommendations of the July 2018 version of the Corporate Governance Code, with the clarifications indicated in this Report.

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 emphasize 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 December 31, 2019.

### ***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 organizational structure are also in line with the objective of maximizing 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 Article 1, paragraph 1, letter *w-quater.1*) of the TUF, as reflected in the list published by CONSOB and updated as of September 30, 2019.

#### **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 March 15, 2012 (converted with amendments into Law no. 56 of May 11, 2012) as subsequently amended by Decree Law no. 148 of October 16, 2017 (converted with amendments into Law no. 172 of December 4, 2017) and by Decree Law no. 105 of September 21, 2019 (converted with amendments into Law no. 133 of November 18, 2019), which governs 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 Article 3 of Presidential Decree no. 85 of March 25, 2014 as follows: (i) dedicated networks and the end-user public access network 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, Article 2 of Decree Law 21/2012 sets forth that — with reference to the companies that hold one or more of these strategic assets — the Government may:

- (a) veto any resolutions, actions or transactions which — involving a change in the ownership, control or availability of the assets or change in 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 Article 2359 of the Italian Civil Code and Article 93 of the 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 (paragraph 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-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 by-laws 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 July 30, 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 March 25, 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 forty-five 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 deadline, the transaction shall be considered clear.

Resolutions, actions or transactions adopted or implemented 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 offense, 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 letters (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 forty-five 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 (and for as long as any such infringement 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 offense, a purchaser who fails to honor 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 Government, shall order the sale of the above shares in accordance with the procedures laid down in Article 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 Article 93 of the TUF.

Decree Law no. 66 of April 24, 2014, converted with amendments into Law no. 89 of June 23, 2014 provides, under Article 21, paragraph 3, that *“for the purposes of streamlining, rationalization 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 President of the Council of Ministers adopted on proposal by the Ministry of Economy and Finance in agreement with the Ministry of Economic Development”*.

On May 8, 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 September 2, 2014 sets out the criteria and methods to be adopted for the disposal of the equity 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 October 2, 2014) and thereby officially authorized 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 October 23, 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 authorization 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 2019.

## **2. INFORMATION ON THE OWNERSHIP STRUCTURE (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 1 TUF) AS AT DECEMBER 31, 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 By-laws.

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

The shares are registered and freely transferable in accordance with the law and the By-laws.

The acquisition of certain equity interests in the Issuer by non-EU investors which are considered material for the purposes of control could be limited by the special powers of the Italian government (“golden powers”) granted by Decree Law no. 21 of March 15, 2012 — converted with amendments into Law no. 56 of May 11, 2012 — as subsequently amended by Decree Law no. 148 of October 16, 2017, and Decree Law no. 105 of September 21, 2019 (converted with amendments by Law no. 133 of November 18, 2019). 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>(1)</sup> of capital with voting rights, on the date of this Report, as at December 31, 2019, are listed in TABLE 1, attached to this Report.

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

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

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

## **2.5. Employee shareholdings**

In 2019, 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 Article 122 of the 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 considered significant that contain change of control clauses. More specifically:

- (i) the intra-company current account agreement entered into between Rai and Rai Way on November 17, 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 favor 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 November 17, 2014, through which Rai was granted powers to arrange payments and receipts, respectively, of the receivables and payables arising from the settlement of several intra-group 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 October 15, 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 with an initial maturity date of September 30, 2019. Both with an initial maturity date of September 30, 2019. Of these credit facilities, the term credit facility of up to €120,000,000.00 was fully settled, while the revolving credit facility was renewed until September 30, 2020 with a reduction in the amount available from a maximum of €50,000,000.00 to a maximum of €25,000,000.00 under the same terms and conditions. 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 revolving credit facility was not used.

## **2.9. Provisions in the By-laws regarding takeover bids**

The By-laws contain no exemptions from the rules of the Consolidated Law on Finance (TUF) with regard to public takeover bids, including Article 104, paragraphs 1 and 2, of the TUF (the passivity rule) and the other exemptions and options stated in Article 106 of the TUF arising from the Company's status as an SME (see Section 1.3 of this Report). Moreover, the By-laws do not call for enforcement of the neutralization rules provided for in Article 104-*bis* of the TUF.

## **2.10. Authorization 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 Article 2443 of the Italian Civil Code, nor are the Directors authorized to issue bonds convertible into ordinary or savings shares or bonds with warrants for the purchase of shares.

Following the withdrawal of the resolution authorizing the purchase and disposal of treasury shares adopted by the ordinary Shareholders' Meeting of April 23, 2018, the Shareholders' Meeting of April 18, 2019, authorized the Board of Directors to purchase and dispose of treasury shares, in accordance with Articles 2357 *et seq.* of the Italian Civil Code and Article 132 TUF and Article 144-*bis*, letters a), b) and d) of the Issuers' Regulations. In particular, the Shareholders' Meeting resolved to authorize, 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 authorized 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 the 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.

As at the date of this Report, the Company did not hold any treasury shares, as it did not in 2019, even through any subsidiaries (as indicated above there were no subsidiaries as at the date of this Report or during 2019).

### ***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 September 4, 2014, the boards of directors of Rai and Rai Way, to the extent of their competence, approved the Management and Coordination Regulation of the Parent Company with respect to Rai Way, 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 Company 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 Company 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 aforementioned management and coordination activities of the Company, in 2019 and as at the reporting date, all provisions set forth in Article 16 of the Market Regulations, were complied with.

### **3. COMPLIANCE**

As specified below, 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 <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>).

As regards the recommendations related to the Corporate Governance Code, formulated in December 2019 by the Corporate Governance Committee, with the letter from its Chairman, Part 18 below indicates the Sections of this Report in which the relevant information is provided.

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 (Article 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>(2)</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 of the TUF; or (iii) eligible parties who have a significant connection, as defined by applicable laws and/or 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. 28 of January 30, 2020).

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>(2)</sup> On this point, note that, in line with the provisions of Article 144-*undecies*.1, paragraph 2, letter a) of the Issuers' Regulations, 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 By-laws (as well as, where applicable, those prescribed by law) 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***

The Contingency Plan already adopted by the Board of Directors, following a preliminary inquiry and proposal by the Remuneration and Appointments Committee, remained in force in 2019 (as at the date of this Report). This plan aims to govern the actions to take if the Chief Executive Officer (sole Executive Director and also General Manager) decided to leave his/her position earlier 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, even during any transitional periods. An update was concluded — begun in the final part of the previous year on a more general basis, and with a preliminary inquiry having been carried out by the Remuneration and Appointments Committee — of the profiles and characteristics considered to be relevant to the position of a top company executive, also in accordance with internal assessments.

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

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

Pursuant to Article 17 of the By-laws, 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 is worth noting that pursuant to Article 16 of the Market Regulations, 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).

##### ***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 December 31, 2019.

NAME AND SURNAME	POSITION	PLACE AND DATE OF BIRTH	DATE OF APPOINTMENT
Mario Orfeo	Chairman	Naples, March 21, 1966	April 18, 2019
Aldo Mancino	Chief Executive Officer	Livorno, October 20, 1964	April 28, 2017
Joyce Victoria Bigio	Independent Director	Norfolk, Virginia — United States of America, November 23, 1954	April 28, 2017
Fabio Colasanti	Independent Director	Velletri, August 19, 1946	April 28, 2017
Anna Gatti	Independent Director	Pavia, January 30, 1972	April 28, 2017
Umberto Mosetti	Independent Director	Rome, March 6, 1965	April 28, 2017
Donatella Sciuto	Independent Director	Varese, January 5, 1962	April 28, 2017
Gian Paolo Tagliavia	Director	Milan, February 19, 1969	April 28, 2017
Paola Tagliavini	Independent Director	Milan, October 23, 1968	April 28, 2017

All the above-mentioned Directors, appointed by the Shareholders' Meeting of April 28, 2017, were taken from the "majority" list, submitted by the majority shareholder Rai (which was voted on by 74.86% of the ordinary shares eligible to vote), 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.

It should also be noted that — following the resignation of Raffaele Agrusti from the position of Director, and therefore also from the position of Chairman of the Board of Directors — the Shareholders' Meeting of April 18, 2019 appointed Mario Orfeo as Director and Chairman of the Board of Directors, based on the proposal of the majority shareholder Rai.

A brief curriculum vitae is provided below for each Director, based on the information they have provided, in office as at December 31, 2019. 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).

**Mario Orfeo.** Born in Naples in 1966, he began his journalism career in 1984 at the daily newspaper Napoli Notte. In 1988, he joined *Giornale di Napoli* as a professional journalist and collaborated with several other Italian print media, including the weekly magazine



Panorama. In 1990, he participated in the establishment, in Naples, of the local editorial office of *La Repubblica*, where he remained until 1994 when he was called to Rome to head the political editorial section of the newspaper and later to assume the position of Editor-in-Chief. In 2002, he became the Editor of the newspaper *Il Mattino*. In 2009, he was called to Rai to manage the Tg2 daily news, a position he held for two years. In March 2011, he returned to the world of print media as the Editor of *Il Messaggero*. At the end of 2012, he was back to Rai, as News Editor of Tg1: under his management, digital contents, HD broadcasting, a new broadcasting studio and new intro music were introduced. On December 5, 2013, he received an honorary degree in Political Science from the Federico II di Napoli University. In January 2015, the Italian President, Giorgio Napolitano, appointed him “Commendatore” of the Italian Republic. From June 2017 to July 2018, he was General Manager of Rai. He has also been appointed as a member of the General Council of Confindustria. He is the winner of a number of prestigious prizes and awards in journalism; in April 2019, he became Chairman of Rai Way.

**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. From 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 of Rai Way — 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. In April 2017, he also took on the role of CEO of Rai Way.

**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 Fiat S.p.A. and Fiat Investments N.V. (which would take over the unitary management of Fiat Chrysler Automobiles N.V.) took effect on October 12, 2014. She was independent director of Gentium SpA, a pharmaceutical company already listed on the Nasdaq, and Simmel Difesa S.p.A. She has been an independent director and member of the Control and Risks Committee of Prysmian S.p.A. since April 12, 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 S.p.A. based in Rome (later absorbed by Telecom Italia S.p.A.), 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 Bocconi University in Milan in 1997, where she also earned 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 Behavior 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 from the University of Trento, in association with the University of Oxford (UK), Rotterdam University (Netherlands) and Washington University (USA). She is a member of the Italian Order 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 a partner at MyQube - Telecom Italian Venture Fund from 2004 to 2007. She is an Independent Director at the Lastminute Group, a company listed on the Swiss market and, since April 30, 2019, at Intesa SanPaolo, where she also sits on the Remuneration Committee. She collaborates with the School of Management at the Bocconi University in Milan and has written scientific books and articles.

**Umberto Mosetti.** Born in Rome in 1965, attorney. He earned a Law Degree with honors 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 Microelectrics (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 the 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 Sorgenia 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 of Milan 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 its 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 Cartapiu 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 the Bocconi University in Milan. She is a certified auditor. She is a Professor in the Accounting Department of Bocconi University, 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 performed teaching and research activities from 1993 to 2003 at Bocconi University 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 is an Independent Director of Eurizon Capital SGR and of the listed companies Interpump S.p.A., BE and companies in the Amissima insurance group, as well as statutory auditor at RCS MediaGroup S.p.A. (listed company). She is Chair and member of Supervisory Boards pursuant to Legislative Decree no. 231/2001.

The Board of Directors held eleven meetings in 2019, with an average duration of 2.29 hours.

For more information about the members of the Board of Directors in office in 2019 (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).

Three meetings of the Board of Directors have been held in 2020 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, 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, and that in calculating the number of offices held, those held by directors in companies that are part of the Rai Group are not counted. Notwithstanding the above limits and provided that they are not positions in companies with shares listed on regulated markets (including foreign markets), the Board of Directors may, exceptionally, allow a derogation from the limit so that the holding of multiple positions in other companies belonging to a single group is considered a single position, following assessment by the Board based on relevant information that must be provided — where necessary by the Chair of the latter — by the Director concerned in order to confirm the continued availability of the time considered necessary for the diligent performance of the position at the Company. Specifically, for purposes of Criterion 2.C.6. of the Corporate Governance Code, the Chief Executive Officer, 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 2019, is consistent with the above-mentioned limits, and with what has already been provided in this regard by the Board of Directors.

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. Criteria and policies regarding diversity in the composition of the boards of directors and control bodies**

With reference to the criteria and policies regarding diversity in the composition of the boards of directors and control bodies, the following should be noted.

As regards diversity in terms of gender, the By-laws 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, while 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). The Boards were also composed in this way for all of 2019.

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. (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. During the self-assessment performed in March 2020, with reference to financial year 2019 but also in consideration of the expiry of its term of office and in accordance with the guidelines drawn up for shareholders pursuant to the provisions of Criterion 1.C.1.(h) of the Corporate Governance Code, the Board of Directors considered the current gender diversity ratio — or in any case a similar ratio (notwithstanding the applicable laws and regulations) — to be suitable, and considered it appropriate to include in the Board of Directors, as a whole and with a view to complementarity, managerial and/or professional profiles with knowledge and experience in the field of technological infrastructure (in particular media and telecommunications), financial matters (in particular extraordinary financing), risk management, governance and compliance of listed companies, and with strategic vision, as well as — from a general

perspective — appropriate seniority (understood as proven experience in complex organizational contexts in business and/or professional and/or institutional environments) and experience within boards of directors of companies, preferably listed, of similar size and/or complexity to those of the Issuer. The above is without prejudice to further possible skills considered useful, albeit secondarily to those above, or the appropriate characteristics of skills, experience and stature that those who assume the specific duties of Chairman of the Board of Directors and Chief Executive Officer must possess, according to these specific roles, as stated by the Board of Directors within the above-mentioned guidelines drawn up in relation to the renewal of the Board (particularly the managerial and professional skills that should be included in the Board of Directors, with reference also to the diversity criteria) and referred to in Section 4.3 of this Report.

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

Finally, the Board of Directors — as of the end of the financial year 2019 — comprises members for 22% with an age of between 30 and 50 years, and the remaining 78% 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) three of the nine members were part of the Board of Directors in office on the previous Board.

#### **4.2.3. Induction Program**

In 2019, and up to the date this Report was approved, in-depth analyses were carried out also for the purpose of induction. They include sessions and activities involving in-depth strategic and scenario analysis, including prospective, relating to the activities of the Company and to its reference markets, including from a regulatory and technical point of view (in particular, with respect to the developments of network structuring processes and those relating to the assignment of frequencies to broadcast radio-television signals as a result of the so-called “refarming” of the latter, i.e. the process of planned gradual release of certain of these frequencies depending on the implementation of mobile telephone networks with 5G technology), to regulatory and self-governance matters, as regards socio-environmental policies and 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 with expertise on certain matters.

### **4.3. Role of the Board of Directors (Article 123-bis, paragraph 2, letter d) of the 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 organization and modus operandi which enables it to perform its functions in an effective manner. It meets, in accordance with the By-laws, 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 (which were also confirmed for 2019, with some clarifications) on an annual basis.

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 board meeting (with reference to business days). 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. It should be noted, however, also in relation to the relative recommendation for 2020 formulated by the Corporate Governance Committee, that information flows are usually managed in such a way that confidentiality requirements do not compromise the completeness, usability and timeliness of information. As regards 2019 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 2019 and until the date of approval of this Report, the meetings of the Board of Directors were attended by certain key management personnel of the Company, such as the Chief Financial Officer and the Chief Human Resources Officer, when matters related to their respective organizational expertise were being discussed, and on some occasions, they were attended by other heads of business structures, and in particular the Head of Corporate Development and Investor Relations. The Secretary of the Board attended almost all Board meetings, in

certain cases also as part of his/her role as Manager of the Legal and Corporate Affairs Department.

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Article 23 of the By-laws 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 or appropriate to achieve the corporate purpose, except for those powers that are reserved by law and/or the By-laws to the Shareholders' Meetings.

Moreover, Article 23.2 of the By-laws 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;
- the 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 By-laws 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 Criterion 1.C.1. (c) of the Corporate Governance Code, the Board of Directors has assessed the adequacy of the organizational, 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 Criterion 1.C.1. (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 has performed, with reference to financial year 2019, but also, as already stated, as part of a more comprehensive assessment of the entire term of office, and for the purposes of the provisions set out in Criterion 1.C.1.(g) of the Corporate Governance Code, a self-evaluation of the size, composition and performance of the Board and its Committees. This process was carried out with the assistance of the consulting firm Eric Salmon & Partners S.r.l. (which did not provide other services to the Company or companies having a control relationship with the Company). The overall results of the process were then discussed within the Board, following which a positive overall assessment was given both with regard to the size and composition — from the viewpoint of the number of members and the overall balance of skills and experience (recommending, however, some possible changes) — and to the functioning of the Board and its Committees. In this regard, while certain elements were deemed particularly satisfactory, such as, notably, the information provided in advance of and during board meetings, the activities related to the analysis and management of risks and the functioning of the Board Committees, certain areas for possible improvement were identified, including, in particular, further analysis of matters relating to the organization and management of human resources and management succession aspects, and of sustainability issues (including with a view to integrating with objectives and strategic plans, an aspect which was taken into account in the Company's 2020-2023 Business Plan, approved on the date of approval of this Report and as noted in Section 9.1 below) as well as greater structuring of induction/update activities.

As indicated above, pursuant to the provisions of Criterion 1.C.1(h) of the Corporate Governance Code, the Board of Directors, in view of its renewal with the approval of the financial statements at December 31, 2019, having consulted the Remuneration and Appointments Committee and taking account of the results of the self-assessment process in relation to the size, composition and functioning of the Board and its internal committees, issued its guidelines on the size of the Board and the managerial and professional skills that should be included in the Board, with reference also to the diversity criteria. Notwithstanding what is already noted above with regard to certain content, reference is made to the document containing the guidelines which is to be made available to the public within the deadlines and in the manner prescribed by applicable laws and regulations for the publication of the Report of the Board of Directors to the aforesaid Shareholders' Meeting on the aforementioned renewal (including the publication on the website [www.rairway.it](http://www.rairway.it) under Corporate Governance/Shareholders' Meetings/Meetings/2020 Ordinary Meeting).

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

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

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

Pursuant to Article 24 of the By-laws, 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 2019, this position has been held by Aldo Mancino.

The following were conferred by the Board of Directors to Aldo Mancino, engineer, in his capacity as Chief Executive Officer (and were in place as at the date of this Report, and for all of 2019):

- 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-a-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 aforementioned acts, agreements and contracts, with the understanding that the value of the aforementioned acts, agreements and contracts must not exceed, individually or jointly with any other agreements, €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, authorizing 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, with the same subject and within the same financial year; to represent the Company before union associations and organizations, and before the competent bodies for matters related to labor 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 favor; and to forgive mortgages and subrogations, including legal mortgages, and to take all other action concerning mortgages taken out by third parties in favor 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 to 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 organization set out by the Board of Directors, define the functional structures of the Company and in general ensure that the organizational, 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 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 Article 18 of the By-laws, 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 By-laws, 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;
- organizes and coordinates the work of the Board of Directors.

Since the Shareholders' Meeting of April 18, 2019 (and as of the date of this Report), the position of Chairman of the Board of Directors is held by Mario Orfeo, appointed following the resignation of Raffaele Agrusti, who was in office until the end of the aforesaid Meeting.

The Board of Directors resolved, on May 14, 2019, subsequently to the aforementioned appointment resolution issued by the Shareholders' Meeting on April 18, 2019, and in line with the powers already conferred to the outgoing Chairman, to assign to the Chairman of the Board of Directors, Mario Orfeo, as necessary and notwithstanding the corporate representation and the functions set forth for this office in the By-laws 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 counsels, 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 categories of acts or single acts, within the scope of the aforementioned powers.

The Board of Directors has also assigned to its Chairman, Mario Orfeo, the following:

- i) to oversee and monitor, as regards the application of the set forth provisions in the area of corporate governance of the Company 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 Appointed 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 2019, and up to the date of this Report.

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

Throughout 2019 and as at the date of this Report, no Executive Committee has been established.

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

Pursuant to Article 19 of the By-laws and the Board Regulations, and in accordance with Criterion 1.C.1. (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 of 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 By-laws 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 2019, 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 2019 (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 April 28, 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 Article 16 of the Market Regulations, 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 shareholder 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 periodic assessment of the independence of the above non-executive members of the Board of Directors pursuant to Article 3 of the Corporate Governance Code and Article 148, paragraph 3, of the TUF, (already carried out immediately following appointment by the Shareholders' Meeting in April 2017 and then renewed annually) was performed, in financial year 2019, during the board meeting held on March 14, 2019 (also in compliance with Criterion 3.C.4 of the Corporate Governance Code), in the presence of the Board of Statutory Auditors (which did not make any comments) on the basis of written statements

issued by the interested parties and the information contained therein, and what was found with regard to the Company. This assessment was then renewed, most recently and using similar methods and with the same results, in the Board of Directors' meeting called to approve this Report; on both occasions, no relations other than those connected with the role were identified, and therefore no relations — also as regards the recommendation for 2020 formulated by the Corporate Governance Committee — were required to be assessed in terms of significance.

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 Criterion 3.C.6 of the Corporate Governance Code, the Independent Directors met once in 2019, without the presence of other Directors, and, in any case, separately from Board committee meetings. This meeting focused, in particular, on issues relating to possible medium to long-term business and strategic developments with reference to the Company and its reference market, in addition to other relevant aspects for the Company, such as the financial and remuneration structure, as well as the planned preparation of a new long-term Company Business Plan and the related board meeting discussions.

#### ***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 Criterion 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 organizational 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 2019 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 authorization 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 Article 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 inside 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 ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) TUF)**

In accordance with Articles 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, Article 24 of the By-laws 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 March 12, 2010, and oversees the Company's Related Party Procedure.

The Control and Risks Committee and the Remuneration and Appointments Committee, in accordance with Article 16 of the Market Regulations, 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 needs 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, organization 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, in office in financial year 2019, were Anna Gatti, Chairman, Joyce Victoria Bigio and Umberto Mosetti, all Independent Directors.

As noted and consistent with Article 16 of the Market Regulations, since Rai Way is under the management and coordination of Rai, this Committee always comprised Independent Directors only pursuant to Article 3 of the Corporate Governance Code and Article 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 2019, the Committee met nine times, for an average of 1.37 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 Section 4.1 above) during the meetings in the exercise of its functions with respect to the appointments.

As regards its remuneration-related functions (to which clarifications were made in the first part of 2019, regarding the remuneration of key managers, particularly in relation to the criteria to use to determine said remuneration), and without prejudice to what is set out in Part 8 below, 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 and General Manager and the remaining key management personnel.

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

In 2020, as at the date of this Report, three 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 2019 to key management personnel, as well as on the preliminary activities for defining the remuneration policy for 2020.

## ***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) (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. (e) of the Corporate Governance Code, in the performance of its duties the Committee has the right to access the necessary business information and functions, as well as to make use of external advisers for the performance of its duties, within the limits of the budget it has been allocated.

The Board has assigned to the Remuneration and Appointments Committee a budget of €50,000 for the fulfilment of its tasks (which may be supplemented, as provided for by the Board Regulations, to meet specific needs).

## 8. REMUNERATION OF DIRECTORS

For information on the general remuneration for financial year 2019 of executive and non-executive Directors and key management personnel, including the Manager in charge of preparing the corporate documents, 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 Article 123-ter of the TUF, 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 Company website [www.raiway.it](http://www.raiway.it), in the section Corporate Governance/Shareholders' Meetings/Meetings/Ordinary Meeting of April 18, 2019. This policy was drawn up in line, *inter alia*, with the requirements of the Corporate Governance Code, as described in more detail in the above Report.

It should also be noted that (i) there were 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 takeover, 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 2019 were in line with the tasks assigned.

The following table indicates where information on the above aspects can be found in the aforementioned Remuneration Report in relation to the policy for 2019.

<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 <sup>3</sup>
Remuneration of executive directors (Principle 6.P.2 of the Corporate Governance Code)	Section I
Remuneration of key management personnel (Principle 6.P.2 of the Corporate Governance Code)	Section I
Incentive plans for the Manager in charge of preparing the corporate documents (Criterion 6.C.3 of the Corporate Governance Code)	Section I
Remuneration of non-executive Directors	Section I

<sup>(3)</sup> Their adoption has not been voted, but they could be adopted subject to prior proposal to be submitted to the Shareholders' Meeting.

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 Section I)

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For information regarding the implementation of the remuneration policy for financial year 2019, reference is made to the second section of the Company's "Report on the remuneration policy and on the compensation paid" pursuant to Article 123-*ter* of the TUF (which should be made available to the public in accordance with the terms and procedures established by the applicable laws and regulations, including publication on the Company's website [www.rairway.it](http://www.rairway.it) under the section Corporate Governance/Shareholders' Meetings/Meetings/2020 Ordinary Meeting). Reference is also made to the first section of this report with regard to the planned remuneration policy for financial year 2020 (also in relation to the recommendations for 2020 from the Corporate Governance Committee).



## 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, organization 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 (Article 123-bis, paragraph 2, letter d) TUF)*

The members of the Control and Risks Committee, in office during financial year 2019, were Paola Tagliavini, Chair, Fabio Colasanti and Donatella Sciuto.

Consistent with Article 16 of the Market Regulations, since Rai Way is under the management and coordination of Rai, this Committee is comprised solely of Independent Directors pursuant to Article 3 of the Corporate Governance Code and Article 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.

During Committee meetings, a secretary (who needs 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 who were absent, and/or by the Directors or Statutory Auditors.

Committee meetings are attended by the Manager in charge of preparing the corporate 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 finalized 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 the financial year ended December 31, 2019, the Committee met fifteen times, for an average of 1.55 hours each, with minutes duly taken on each occasion. One or more members of the Board of Statutory Auditors were present at every meeting (along with, for certain meetings, the Chairman of the Board of Directors, the CEO, the Manager in charge of preparing the corporate documents, and the Manager of the Audit Function); certain meetings were attended variously, at the committee's invitation, by representatives from the external auditing firm and the Chair of the Supervisory Board, as well as Company and Board consultants. The Committee performed the inquiry duties assigned to it, in particular

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 and periodic 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 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 reviewed some control procedures of the Company and carried out in-depth analysis on social and environmental activities and the corresponding reporting, reviewing in advance the Individual Non-Financial Disclosure. The Committee also verified the corporate management control system, in particular in relation to business risks and the related risk management activities, in addition to reviewing the structure of the organizational area under the Chief Financial Officer and the Manager in charge of preparing the corporate 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. Additionally, the Committee carried out the duties assigned to it by the Related Party Procedure, which involved various meetings in which it carried out analysis and testing, with the support of its independent experts, in relation to the negotiations and the subsequent conclusion of the Agreement between the Company and the Parent Company Rai regarding the amendment of certain terms and conditions, as well as the duration, of the New Service Agreement, with this conclusion constituting a "Transaction of Greater Importance" within the meaning of the above-mentioned Procedure. On December 4, 2019, based on the assessments performed, the Committee issued a preliminary favorable opinion, in accordance with the above-mentioned Procedure, regarding the benefit to the Company of executing the transaction and the fairness and appropriateness of the underlying terms and conditions. The transaction was subsequently concluded on December 10, 2019 and published in an information document made available to the public in the manner and within the terms prescribed (and, in particular, can be consulted on the Company's website [www.rairway.it](http://www.rairway.it)).

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

In 2020 and up to the date of this Report, the Committee has met four 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, with a focus also on the risks with respect to sustainability objectives) and the 2020 audit plan prepared by the Manager of the Audit Function, monitored the preparation of the Financial Statements as of December 31, 2019 and of the Individual Non-financial Disclosure — drawn up in accordance with Legislative Decree no. 254/2016 and with the GRI Standards (Core option) issued by the Global Reporting Initiative in relation to non-financial reporting — 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 has also reviewed, to the extent of its authority, a proposed new edition of the Model pursuant to Legislative Decree no. 231/2001 including an update of the provisions with regard to the reporting of alleged unlawful behavior or misconduct, which have been

then submitted to the Board of Directors, and analyzed the definition and content of the Company's new long-term Business Plan, from the point of view of risk management and sustainability. In this latter regard, and also in relation to the provisions of the recommendation for 2020 provided by the Corporate Governance Committee regarding integrating the sustainability of business activities in the definition of strategies, the Committee has previously verified objectives and initiatives provided for in the above-mentioned new long-term Business Plan with regard in particular to the main areas of focus envisaged, i.e.: environment and health and safety at work (with objectives aimed, among other things, at further improving energy efficiency and the safety and environment management systems), social matters (with objectives aimed at developing human resources and community contribution), governance (with, among other things, the strengthening of internal controls concerning the handling and development of topics relating to sustainability and of their consideration in business processes) and innovation (with initiatives aimed at the digital transformation of business processes); the Plan was then subject to the approval of the Board of Directors on the date of approval of this Report. In the matter of Company activities and objectives with regard to sustainability issues — both with reference to financial year 2019 and for more information on the objectives covered (also with a view to further developing certain policies and initiatives already put in place by the Company) in the above-mentioned new long-term Business Plan — reference is made to the information contained in the Individual Non-Financial Disclosure drawn up pursuant to Legislative Decree no. 254/2016 (which will be made available to the public within the terms and in the manner prescribed by applicable laws and regulations, including through publication on the Company's website [www.railway.it](http://www.railway.it) under the section Corporate Governance/Shareholders' Meetings/Meetings/2020 Ordinary Meeting).

## **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 Directors' 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 comment 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 the 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 due 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 due diligence phases <sup>(4)</sup>.

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In compliance with Criterion 4.C.1. (e) of the Corporate Governance Code, in the performance of its duties the Committee has the right to access the necessary business information and functions, as well as to make use of external advisers for the performance of its duties, within the limits of the budget it has been allocated.

The Board has allocated a budget of €50,000 to the Control and Risks Committee to carry out its duties (which may be supplemented, as provided for by the Board Regulations, to meet specific needs).

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<sup>(4)</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 Article 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 organizational 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 organizational and corporate governance framework, as it is a key element of the entire corporate governance system and plays a central role in the organization. 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 practices, complying with the CoSO Report <sup>(5)</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, the By-laws, including internal rules. Therefore, the corporate compliance models, structured and organized 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 organizational principles. Rai Way has acquired appropriate tools, such as the Code of Ethics, the Organizational, Management and Control Model (Model 231), an organizational 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 November 6, 2012: from the end of January 2019, a specific Policy was adopted, containing supplementary provisions of the Model pursuant to Legislative Decree no. 231/2001, as indicated in Section 10.7 below.

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<sup>(5)</sup> CoSO — Committee of Sponsoring Organisations of the Treadway Commission (2017), Internal Control, Integrated Framework.

2. Risk assessment and management, which consists in identifying and analyzing 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, preserving the integrity of the corporate assets and ensuring 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 integrated with the planning, budgeting and management control processes.
3. Control activities, which are defined in the Company's procedural framework. These controls are implemented at all organizational 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/authorization of transactions, audits, monitoring, analyzing 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 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 organizational 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 organization 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 2019, with respect to the characteristics of the business and its risk profile, after having obtained the favorable opinion by the Control and Risks Committee. During 2019, a financial risk management policy previously approved by the Board of Directors remained in effect, which defines the approach and procedures aimed at minimizing 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. These procedures are updated/supplemented for organizational changes or improvement areas that have been identified.

The ICRMS, in relation to the financial reporting process, is designed to ensure the reliability <sup>(6)</sup>, accuracy <sup>(7)</sup>, integrity <sup>(8)</sup> and timeliness <sup>(9)</sup> of financial reporting.

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

The ICRMS is characterized 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 documents, Manager of the Audit Function) assigning to each of them specific tasks within the ICRMS, as fully described in Section 10.3 of the Report below;
- 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.

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<sup>(6)</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>(7)</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>(8)</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>(9)</sup> Timeliness (of information): information which complies with deadlines established for its disclosure.

The ICRMS must allow corporate officers to obtain, regularly and promptly, a sufficiently complete picture of the profits and losses and financial situation of the Company and make it possible to: (i) monitor the Key Performance Indicators and risk factors of the Company; (ii) 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 organization 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 organization, 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, authorization 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 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 characterized 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.

As regards Second-Level Control, during 2019, among other things, efforts were made to further strengthen the activities of the organizational function, reporting to the Chief Financial Officer, that is responsible for implementing, managing and maintaining the integrated Enterprise Risk Management Model of the Company, to help corporate structures identify and assess risks and determine possible response actions. In addition to the general monitoring and updating of the risk mapping and the relative assessment, a specific Policy was drawn up — updated with respect to the roles and responsibilities of the various parties involved — with reference to the Risk Management process.

### ***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 the 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 favorable 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 of establishing and maintaining 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 of verifying the functioning and adequacy of the ICRMS and ensuring 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 favorable 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 2019, 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 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) reviews the periodic reports of the Audit Function concerning the assessment of the ICRMS as well as the other significant reports;
- (iv) monitors the independence, adequacy, efficiency and effectiveness of the Audit function;
- (v) requests 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 favorable 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) receives 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) issues 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, Aldo Mancino, as Appointed Director, in office also for the entire 2019 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, realization and management of the internal control and risk system, and 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 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 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 By-laws, 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 favorable opinion of the Control and Risks Committee, with input from the Board of Statutory Auditors, appointed Angela Pace as Manager of the Audit Function. She held this office for the entire 2019 financial year, and continues to hold it as of the date of this Report. In January 2019, Angela Pace also held the position of "Anti-Corruption Officer" with regard to the cases specified by Law no. 190 of November 6, 2012, pursuant to the relative Plan adopted up until that time by the Company and then, for the remaining part of the year, the position of "Officer in charge of the Anti-corruption Measures" specified by the new Policy adopted by the Company in this regard (as specifically indicated in Section 10.7 below).

The appointment as Manager of the Audit Function is granted for an indefinite period of time, unless otherwise resolved by the Board. For the 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, under the terms indicated above.

The Board of Directors has established that the remuneration structure of the Manager of the Audit Function, consistent with the Company's policies, is determined, following a proposal made by the CEO (in his capacity as Appointed Director), after consulting the Chairman of the Board of Directors together and in agreement with the Chairman of the Board of Directors, and following the favorable opinion of the Control and Risks Committee, as well as input from the Board of Statutory Auditors. For financial year 2019, said Manager was the beneficiary of an incentive plan in line with the tasks assigned.

The Board, based on the proposal of the CEO 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, approves 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 2019, the Board has assigned a budget of €43,000.00 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 authorized 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 of providing independent, objective assurance designed to promote actions to improve the efficiency and effectiveness of the internal control and risk management system and the business organization. The Audit function helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management and corporate government processes <sup>(10)</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 analyzing 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:

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<sup>(10)</sup> Definition approved by the Board of Directors of the Institute of Internal Auditors on June 26, 1999 and implemented by current International Internal Auditing Standards.



- (i) based on the principles and criteria defined, organizes 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 behavior 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).

The function's activities are planned based on an annual Audit Plan, approved by the Board of Directors following the favorable 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 2019, 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 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 documents, to whom it grants the powers provided in Article 154-*bis* of the TUF.

The Manager in charge of preparing the corporate documents is chosen by the Board of Directors from among the Company executives who meet the professional competence requirements, characterized 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 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 Article 154-*bis* of the TUF, the Manager in charge of preparing the corporate 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 released to the market, and relating to the accounting information, including interim, of the Company, with a written declaration certifying correspondence to the documented results, books and accounting records; (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 financial year 2019, 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 September 11, 2014, (with assignment of relative powers and functions on the same date, and later, with another board resolution on September 18, 2014), expired after the Board of Directors was dismissed with the Shareholders' Meeting held on April 28, 2017. On this last day, the new Board of Directors renewed the office of Manager in charge of preparing the corporate 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 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, optimization 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 optimization 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) 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 types 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 authorizations;
- 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 Article 3 of Law 136/2010;
- granting powers of attorney in connection with the powers granted.

The Manager in charge of preparing the corporate 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 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 recognized in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council of July 19, 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 December 31, 2019, 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 December 31, 2019), 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 Article 154-*ter*, paragraph 4 of the TUF.

The Manager in charge of preparing the corporate documents, for the purpose of performing the duties established by Article 154-*bis* of the 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 documents therefore has the power of preparing, including with aid from external consultants, a series of corresponding procedures (a) for standardization 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 2019 financial year, the aforesaid powers and functions granted to the Chief Financial Officer and Manager in charge of preparing the corporate 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 characterizes 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 2019 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 2019, both the Control and Risks Committee and the Board of Statutory Auditors also met the Chairman of the Supervisory Board to provide additional information on the activities carried out and planned. In the same manner, the Manager of the Audit Function (also a member of the Supervisory Board, as well as the Standing Auditor Maria Giovanna Basile) and the Manager in charge of preparing the corporate 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 2020, as at the date of this Report, the Chairman of the Supervisory Board has participated in two meetings of the Control and Risks Committee. The Board of Statutory Auditors also attended, in particular the meeting at which the Committee reviewed the draft of the new edition of the Model 231 and updated provisions with regard to the reporting of alleged unlawful conduct/acts, as well as the notification of the Report of the Supervisory Board for the second half of 2019.

## ***10.5. Organizational Model pursuant to Legislative Decree 231 of 2001***

The Organization, 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 January 2020, following the update and revision in the second half of 2019.

### **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 Organization, 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 deriving from belonging to the 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 organizational 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 organizational 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**

The Model 231 in force in 2019 was structured as follows:

A General Part with the following main content:

- 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;

A Special Part, with individual sections made up 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 organization 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”.

and relating to the following types of offense:

- Section “A”: offenses referred to in Article 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”: offenses referred to in Article 25 (“Bribery, unlawful inducement to give or promise benefits and corruption”), and Article 25-*decies* of the Decree (“Inducement to withhold statements or to provide false statements to the judicial authorities”);
- Section “C”: offenses referred to in Article 25-*bis* of the Decree (“Counterfeiting offences and falseness in recognition tools or signs”);
- Section “D”: offenses referred to in Article 25-*ter* of the Decree (Corporate offenses);
- Section “E”: offenses referred to in Article 25-*quater* of the Decree (“Terrorism or subversion of the democratic order”);
- Section “F”: offenses referred to in Article 25-*quinqüies* and Article 24-*quater* of the Decree (“Offenses against individuals” and “Feminine genital organs mutilation”);
- Section “G”: offenses referred to in Article 25-*sexies* of the Decree (Market abuse);
- Section “H”: offenses referred to in Article 10 of Law no. 146 of March 16, 2006 (Transnational offenses);
- Section “I”: offenses referred to in Article 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”: offenses referred to in Article 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”: offenses referred to in Article 24-*bis* of the Decree (Information systems and unlawful data processing);
- Section “N”: offenses referred to in Article 24-*ter* of the Decree (Organized crime offences);
- Section “O”: offenses referred to in Article 25-*bis.1* of the Decree (Crimes against industry and commerce);
- Section “P”: offenses referred to in Article 25-*novies* of the Decree (Breach of copyright);



- Section “Q”: offenses referred to in Article 25-*undecies* of the Decree (Environmental offences) <sup>(1)</sup>;
- Section “R”: offenses referred to in Article 25-*duodecies* (“Use of illegally staying third-country nationals”) and Article 25-*terdecies* of the Decree (“Racism and xenophobia”).

The procedures and protocols developed to prevent illicit conduct and the commission of the offenses contemplated by Legislative Decree 231/2001, an expression of the “effectiveness” principle of Model 231, remain in effect.

In 2019, an analysis project was developed and launched aimed at overhauling and updating the Model in relation to both the relevant provisions occurring at regulatory level and the organizational structure of the Company, based also on the envisaged provisions being organized and carried out for individual at-risk business processes (indicating for each of them the control elements and measures used to prevent the relevant offenses). This project resulted in the approval by the Board of Directors, on January 30, 2020 and following the review by the Supervisory Board and the Control and Risks Committee, of a new edition of the Model, both the General Part and the Special Part.

The General Part mainly 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;
- communications toward the Supervisory Board;
- methods for communicating and managing whistleblowing reports;
- staff training and communication;
- the disciplinary system.

The Special Part comprises:

- the risk assessment methodology used and the mapping of business areas and processes at risk of commission of the relative offenses pursuant to Legislative Decree 231/2001;
- the Internal Control System adopted by the Company to prevent offenses;
- the general/transversal prevention protocols, applicable to all at-risk business processes;
- for each at-risk business area and process:

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

- the individual offenses that could be committed with an indication of the possible ways in which they might be committed;
- the behavioral and organizational controls specific to the prevention and management of risk.

In the first part of 2020 analyses were begun, in terms of the mapping of major risks and possible specific management measures, to enable the preparation of a further update of the Model with reference to offenses added to the scope of application of Legislative Decree 231/2001, on the basis of new regulatory measures, in the last part of 2019.

### **10.5.3. Supervisory Board**

In 2019, the Supervisory Board composed as from July 2018 remained in office, i.e.:

- (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.

It should be noted that, in 2019, the Supervisory Board held six meetings during which — in addition to having generally monitored new regulations for the purposes of updating the Model — it examined, prior to submission for board approval, the proposed Anti-Corruption Policy adopted during the year and referred to in Section 10.7 below, as well as the new edition of the Code of Ethics, also approved during 2019, as stated in Section 10.6 below. The Supervisory Board also examined the information flows pursuant to the relative corporate procedure and met with company managers in particular with reference to the business activities in procurement, based on relevant aspects within its area of competence, and monitored the project related to the drafting of a new edition of the Model, subsequently adopted by the company in the first part of 2020, and referred to in Section 10.5.2. above. In 2020, the Supervisory Board has held two meetings, focusing on the preliminary review, within the scope of its competence, of the drafts of the new edition of the Model 231, as well as updated provisions with regard to the reporting of alleged unlawful conduct/acts, which have been then submitted to the Board of Directors, after review by the Control and Risks Committee, as well as the drafting of the Report of the Supervisory Board for the second half of 2019.

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

The Model 231 in force for the whole of 2019 provided for the role of “In-House Appointee”. In particular, some of their most significant responsibilities are as follows:

- for transactions related to risk activities, prepare and archive the relevant documents and summarize their content for the Supervisory Board in specific “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.

This role was also provided for in the new edition of the Model, approved on January 30, 2020 as previously indicated, with tasks also relating to: monitoring of the performance of their duties, reporting to the Supervisory Board with regard to relevant situations about the effectiveness and adequacy of prevention measures contained in the Model, support in the analysis and updating of possible risks in their area of activity.

## **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 organization are required to follow as defined by applicable laws and regulations. In January 2019 — following the corresponding resolution of the Board of Directors (after review by the Control and Risks Committee and the Supervisory Board) — the Company adopted a new edition of the Code of Ethics, with some clarifications and updates, leaving unchanged the basic principles already specified. This edition has remained in force for the whole of 2019 and up to the date of this Report.

## **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, inspired by the principles of the National Anti-corruption 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 plan was last updated in January 2018. Again, on a voluntary basis, in view of its status as listed company subject to public control <sup>(12)</sup>, on January 28, 2019, rather than updating the aforesaid plan, the Board of Directors adopted an Anti-Corruption Policy, effective as from January 31, 2019, containing supplementary measures of its Organization, Management and Control Model pursuant to Legislative Decree 231/2001 concerning the offences considered

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<sup>(12)</sup> 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 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 June 17, 2015, was suspended for listed companies.

by Law no. 190/2012, which remained in effect for the whole of 2019 (and as of the date of this Report). 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 Anti-Corruption Officer (identified, currently, as the Manager of the Audit Function, Angela Pace). The officer in charge of the anti-corruption measures, with the coordination of the Supervisory Board pursuant to Legislative Decree no. 231/2001, verifies the suitability and actual implementation of the anti-corruption measures taken.

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

In 2019, the Internal Dealing Code of Conduct previously approved by the Board of Directors and last updated in 2018, remained in effect.

To ensure the required transparency of information to the market, this procedure specifies the disclosure 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 aforementioned 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., 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 (TUF) and no. 119644 in the register of statutory auditors.

On September 4, 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 January 27, 2010 and extending said mandate to the financial year ending on December 31, 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 June 30 for the financial years from 2015 to 2022.

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

On September 4, 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' Regulations and Regulation on Related Party Transactions and considering the guidance and clarifications provided by CONSOB in communication no. DEM/10078683 of September 24, 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 organizational 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 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 organizational 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 recognized 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 authorized 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 authorizes the “Transactions of Greater Importance”:

- based on the favorable 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 favorable 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 law and the Company’s By-laws.

Even in the event of an unfavorable 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 authorized 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 transaction. 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 Article 10 of the Regulation on Related Party Transactions for “recently listed companies”.

“Transactions of Lesser Importance” are 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 authorized 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 intra-group transactions: transactions with or between subsidiaries, including collectively, as well as 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* of the 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.rairway.it](http://www.rairway.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 2019, 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 Article 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 website or by other means envisaged by applicable 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. 28 of January 30, 2020). 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 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. The 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 (ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) TUF)

In accordance with Article 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 organizations 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 in 2019, and as of the date of this Report, was appointed by the shareholders at the meeting held on April 23, 2018 and will remain in office until approval of the financial statements for the year ending December 31, 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, July 18, 1969
Maria Giovanna Basile	Standing Auditor	Avellino, October 6, 1962
Massimo Porfiri	Standing Auditor	Rome, July 18, 1956
Paolo Siniscalco	Substitute Auditor	Naples, July 19, 1967
Nicoletta Mazzitelli	Substitute Auditor	Rome, August 4, 1962

At the time of the Shareholders' Meeting on April 23, 2018, these Auditors in office were taken from the list of candidates presented by the majority shareholder Rai ("majority" list, which was voted by 70.81% of the ordinary shares eligible to vote), 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 December 31, 2019. 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, as specified in Section 4.2.2. of this Report.

Further details concerning the Board of Statutory Auditors are provided in Table 3 below.

In 2019, the Board of Statutory Auditors met seven times with all members in office attending. The meetings had an average duration of just over 3 hours.

In 2020, 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, two meetings had already been held.

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, specializing 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 Specialized 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 organized by Assonime and Assogestioni. Since 2008 she has acted as a consultant for Assonime. She also completed a Masters in “The taxation profiles of the IFRS. New accounting models, new taxation disciplines and application problems” organized 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 IDS Air Nav (Enav Group), 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. Proficient in English, she has a good understanding of Spanish and Russian.

**Maria Giovanna Basile.** Born in Avellino in 1962, she graduated from the Sapienza University of Rome with a degree in Business and Economics. She is registered in the Register of Chartered Accountants and Business Advisors and in the Register of Statutory Auditors. She is a Chartered Accountant and joint proprietor of “Studio di Consulenza Societaria e Tributaria” in Rome, specializing in tax and corporate issues and extraordinary transactions. She also gained knowledge of the specific governance for private companies under public control deriving from special laws (legislation on public companies and subsidiaries, legislation on anti-corruption and transparency). She participated in the induction sessions for independent directors and statutory auditors of listed companies organized and promoted by Assonime and Assogestioni, and in the accredited training and professional development courses at the Association of Chartered Accountants in Rome and the vocational training for Statutory Auditors. She has performed, and continues to perform, the role of statutory auditor in privately-owned companies, listed companies, and public-interest entities, operating in various sectors (communications, energy, real estate, health, infrastructure, insurance and services), 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 January 1, 2019, he has been a partner at Studio Porfiri — Muci. Mr. Porfiri specializes in tax and corporate issues and is an advisor to the Italian Episcopal Conference and Holy See. He is an internal auditor for a number of different companies of national concern in the areas of healthcare, publishing, IT, and agri-food. He is also an auditor of Università Cattolica del Sacro Cuore and Fondazione Policlinico Universitario Agostino Gemelli IRCCS. 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 (formerly 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 Ipsosa 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 reorganization projects in complex organizations, gaining considerable experience in matters concerning indirect taxation regarding supply chain restructuring projects and optimizing 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 Criterion 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 above-mentioned Criterion, 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.

With regard to 2019, and up to the date of this Report, the Board of Statutory Auditors has verified that the independence requirements, as well as all other requirements, have been met by its members. The outcome of these assessments was then reported to the Board of Directors.

After the 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 Article 148 of the TUF and the 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 Article 144-*terdecies* of the Issuers' Regulations.

The Auditors took part in the initiatives and activities reported in Section 4.2.3. above, also considered as an induction held in 2019 during the meetings of the Board of Directors and Board committees. 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 formalize 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 party, 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.raiway.it](http://www.raiway.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 Giancarlo Benucci as Manager of the Investor Relations Function. Giancarlo Benucci took office in January 2015 and remained in that position for the entire 2019, as of the date of this Report.

The Investor 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 (ARTICLE 123-BIS, PARAGRAPH 2, LETTER C) TUF)

For 2019, only one Shareholders' Meeting was held, on April 18, 2019, at which 90.06% of the share capital was represented.

Seven 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 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 By-laws 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* of the TUF is not provided for.

Pursuant to Article 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 2019.

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

For the purposes of Criterion 9.C.3. of the Corporate Governance Code, the Shareholders' Meeting Regulations require that the Chairman presides over the discussions. Those who are entitled to take part, the directors and the 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 who 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 authorize 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 December 31, 2019, no significant changes have occurred in the market capitalization 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 (ARTICLE 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 December 31, 2019 to the date of this Report, there have been no significant changes in the Company's governance structure.

## **18. COMMENTS ON THE LETTER DATED DECEMBER 19, 2019 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

As regards the recommendations relating to the Corporate Governance Code referred to in the letter dated December 19, 2019 from the Chairman of the Corporate Governance Committee — the contents of which were presented to the Board Committees (and discussed during the meetings held on January 29, 2020, for the Control and Risks Committee, and March 2 and 11, 2020, for the Remuneration and Appointments Committee) and the Board of Directors, during the meeting held on January 30, 2020, with the final board discussion taking place at the meeting held on March 12, 2020, with members of the Board of Statutory Auditors present at every meeting — reference is made to the comments made in the corresponding sections of this Report dealing with the different aspects highlighted in the recommendations, namely: independence of Directors, pre-meeting information, remuneration (making reference in particular to the “Report on the remuneration policy and on the compensation paid”) and the activities of the Control and Risks Committee with respect to the integration of sustainability in the definition of business strategies, as was the case when defining the Company's aforementioned new long-term Business Plan approved by the Board of Directors (with reference also being made in this regard to the “Individual Non-Financial Disclosure”).

Rome, March 12, 2020

For the Board of Directors

The Chairman

Mario Orfeo

**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	-	-	-	-

Significant equity investments			
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)	9.981 <sup>(14)</sup>	9.981

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<sup>(13)</sup> Source: minutes of the Shareholders' Meeting of April 18, 2019.

<sup>(14)</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 2019

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 ***	(*)	(*)	(**)	(*)	(**)
Chairman	Mario Orfeo ●	1966	April 2019	04/18/2019	AGM to approve the 2019 financial statements	M		■			0	7/7				
Chief Executive Officer	Aldo Mancino ◇	1964	April 2017	04/28/2017	AGM to approve the 2019 financial statements	M	■				0	11/11				
Director	Joyce Victoria Bigio	1954	September 2014	04/28/2017	AGM to approve the 2019 financial statements	M		■	■	■	1	11/11			8/9	M
Director	Fabio Colasanti	1946	September 2014	04/28/2017	AGM to approve the 2019 financial statements	M		■	■	■	0	11/11	15/15	M		
Director	Anna Gatti	1972	October 2014	04/28/2017	AGM to approve the 2019 financial statements	M		■	■	■	2	9/11			9/9	P
Director	Umberto Mosetti	1965	April 2017	04/28/2017	AGM to approve the 2019 financial statements	m		■	■	■	1	10/11			9/9	M
Director	Donatella Sciuto	1962	April 2017	04/28/2017	AGM to approve the 2019 financial statements	M		■	■	■	2	11/11	15/15	M		
Director	Gian Paolo Tagliavia	1969	April 2017	04/28/2017	AGM to approve the 2019 financial statements	M		■			1	9/11				
Director	Paola Tagliavini	1968	April 2017	04/28/2017	AGM to approve the 2019 financial statements	M		■	■	■	5	11/11	15/15	P		
-----DIRECTORS WHO LEFT OFFICE DURING THE FINANCIAL YEAR-----																

Board of Directors													Control and Risks Committee		Remuneration and Appointment Committee	
Position	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 ***	(*)	(*)	(**)	(*)	(**)
Chairman	Raffaele Agrusti ●	1957	April 2016	04/28/2017	04/18/2019	M		■			2	4/4				
No. meetings held during the Reference Period: 11							Control and Risks Committee: 15			Remuneration and Appointments Committee: 9			Executive Committee: N/A			
Specify the quorum required for the presentation of minority lists for the election of one or more members (pursuant to Article 147-ter TUF): 1% (CONSOB Resolution no. 28 of January 30, 2020) (15)																

#### NOTES

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 January 1 and December 31, 2019

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



**TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS IN 2019**

Position	Members	Date of birth	Date of first appointment*	In office since	In office until	List **	Indep. Code	Attendance at Board of Statutory Auditors' meetings ***	No. offices ****
Chairman	Silvia Muzi	1969	April 2018	04/23/2018	AGM to approve the 2020 financial statements	m	■	7/7	5
Standing Auditor	Maria Giovanna Basile	1962	September 2012	04/23/2018	AGM to approve the 2020 financial statements	M	■	7/7	14
Standing Auditor	Massimo Porfiri	1956	April 2015	04/23/2018	AGM to approve the 2020 financial statements	M	■	7/7	21
Substitute Auditor	Nicoletta Mazzitelli	1962	April 2015	04/23/2018	AGM to approve the 2020 financial statements	M	N/A	N/A	N/A
Substitute Auditor	Paolo Siniscalco	1967	April 2018	04/23/2018	AGM to approve the 2020 financial statements	m	N/A	N/A	N/A
<b>Number of meetings held during the Reference Period: 13</b>									
<b>Specify the quorum required for the presentation of minority lists for the election of one or more members (pursuant to Article 148 TUF): 1% (CONSOB executive decision no. 28 of January 30, 2020)</b>									

**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 Article 148-*bis* TUF and the implementing provisions contained in the CONSOB Issuers' Regulations. The entire list of offices is published by CONSOB pursuant to Article 144-*quinquiesdecies* of the CONSOB Issuers' Regulations, 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 January 1 and December 31, 2019