



RenoDeMedici

*Registered office at Viale Isonzo, 25, Milan - share capital €140,000,000 fully paid up
Milan Companies Register and Fiscal Code no.*

Illustrative report of the directors on the fifth item on the agenda of the Shareholders' Meeting called in ordinary session for 30 April 2018 at first call (2 May 2018 for any possible second call.)

Pursuant to Article 125-ter of Legislative Decree 58 of 24 February 1998 ("CFA")

Board of Statutory Auditors.

- **Appointment of the Board of Statutory Auditors for the three-year period 2018/2019 /2020.**
- **Appointment of the Chairman of the Board of Statutory Auditors.**
- **Determination of remuneration of standing members.**

Dear Shareholders,

The shareholders' meeting called to approve the financial statements for the year ending 31 December 2017 marked the end of the term of office of the Board of Statutory Auditors appointed by the shareholders' meeting of 30 April 2015 for the three-year period covering financial years 2015/2016/2017.

The Shareholders' Meeting is therefore called upon to appoint the Board of Statutory Auditors and the Chairman, in accordance with the timescales and provisions of Article 19 of the By-Laws. Pursuant to the rules established by the By-Laws, the statutory auditors are appointed on the basis of lists presented – in accordance with the procedures detailed below – by the shareholders, in order to ensure the appointment of one standing auditor and one alternate auditor by the minority shareholders, including pursuant to Article 148, paragraph 2, of Legislative Decree 58/1998.

COMPOSITION AND REQUIREMENTS OF THE BOARD OF STATUTORY AUDITORS

Pursuant to the By-Laws, the Board of Statutory Auditors is composed of three standing auditors and two alternates, who must meet the requirements prescribed by the legal and regulatory provisions in force.

In particular, persons who find themselves in any of the situations referred to in Article 148, paragraph 3, of Legislative Decree 58/1998 are not eligible. Moreover, pursuant to Ministerial Decree 162 of 30 March 2000, at least one standing statutory auditor must be enrolled in the Register of Auditors created by law and must have served as an auditor for a period of not less than three years.

Statutory auditors who do not meet the above requirements must have a total of at least three years' experience in the following activities:

- a) Administration and control activities or management duties at corporations with share capital of at least two million Euros, or;
- b) Professional activities or a tenured university teaching position in legal, economic, financial, technical and scientific areas closely related to the company's activities in relation to the office, or;

- c) Executive positions with government agencies or administrations operating in the credit, financial and insurance fields, or, in any case, in areas related to the company's activities in relation to the office.

Persons who hold offices of administration and control exceeding the limits established by current laws and regulations are also ineligible to be elected as statutory auditors.

It is also noted that the Corporate Governance Code for listed companies (the "Code") approved in March 2006 and last updated, in July 2015, by the Corporate Governance Committee – to which Reno de Medici adheres – recommends that statutory auditors should be capable of being classed as independent, including on the basis of the criteria set out in application criterion 3.C.1 of the Code with reference to directors.

The Board of Statutory Auditors appointed by the shareholders' meeting shall remain in office, in accordance with the law, for the three financial years 2018/2019/2020, specifically until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2020.

The Shareholders' Meeting is also called upon to decide on the remuneration of the Board of Statutory Auditors. As a reminder, in relation to the annual remuneration of the Board of Statutory Auditors currently in office, the shareholders' meeting had previously fixed the remuneration of the Chairman at €70,000.00 gross and the remuneration of each of the standing statutory auditors at €45,000.00 gross.

PROCEDURES AND DEADLINES FOR THE PRESENTATION OF LISTS AMOUNT OF EQUITY INTEREST REQUIRED FOR THE PRESENTATION OF LISTS

The Shareholders' Meeting will be called upon to deliberate on the lists lodged at the registered office – in accordance with the deadlines and procedures set out in Article 19 of the By-Laws and indicated below – at least 25 calendar days before the date fixed for the shareholders' meeting at first call. The lists may also be lodged using the remote communication methods specified in the notice of call.

Shareholders that are signatories to a significant shareholder agreement pursuant to Article 122 of Legislative Decree 58/1998, as well as the parent company, subsidiaries and companies subject to joint control pursuant to Article 93 of Legislative Decree 58/1998, may not individually or collectively submit more than one list, including through an intermediary or trust company, and may

not vote on different lists, and each candidate may appear on only one list, on penalty of ineligibility. Acceptances and votes cast in violation of this restriction shall not be attributed to any list.

Under Consob Resolution 20273 of 24 January 24, 2018, published pursuant to Article 144-*septies*, paragraph 1, of the Issuer Regulation 11971/1999, the minimum equity interest applicable to Reno De Medici S.p.A. for the presentation of lists for the election of the control body is set at 2.5% of the share capital, unless the By-Laws specify a lower amount. In this regard, it is noted that the By-Laws specify the same equity interest of 2.5%.

In the event that, by the above-mentioned deadlines, only a single list has been lodged, or only lists presented by shareholders who are linked to each other have been lodged, the deadline for the presentation of lists shall be extended by three consecutive calendar days and the minimum equity interest required for the presentation of lists shall be reduced to 1.25%. As regards the identification of linking relationships, please refer to Article 144-*quinquies* of the Consob Issuer Regulation.

CONTENT OF LISTS

Each list must contain a number of candidates not greater than the number of standing and alternate members to be elected, with each candidate being assigned a sequential number.

The lists must indicate whether each individual candidate is presented for the office of standing Statutory Auditor or for the office of alternate Statutory Auditor. Lists that present a total number of candidates equal to or greater than three must be composed of candidates of both genders, so that at least one third (rounded to the nearest integer) of the candidates for standing auditor and at least one third (rounded to the nearest integer) of the candidates for alternate auditor, belong to the least represented gender in the list.

Lodged lists must also be accompanied by:

- information concerning the identity of the shareholders who presented the lists, indicating the total percentage equity interest held, as well as a suitable notice issued by an intermediary certifying the shareholding as at the presentation date;
- a statement by the shareholders – other than those who hold a controlling or simple majority equity interest, including jointly – affirming the absence of any linking relationships with the latter shareholders, with reference to the provisions of Article 144-*quinquies* of the Consob Issuer Regulation;
- comprehensive information concerning the professional and personal characteristics of each candidate;

- statements in which the individual candidates accept the nomination, affirm under their own responsibility that there are no reasons why they may be considered ineligible for or incompatible with the position, and confirm that they possess the requisites prescribed by current legislation for holding the office of statutory auditor, listing any offices of administration and control held in other companies.

PUBLICATION OF NOMINATIONS

The company shall make the lists of candidates filed by shareholders available to the public in accordance with the deadlines and procedures prescribed by the applicable legislation.

In the above-mentioned event that, by 25 days before the shareholders' meeting, only a single list has been lodged, or only lists presented by shareholders who are linked to each other have been lodged, the company shall publish – via the website www.rdmgroup.com and the authorized "eMarket STORAGE" portal (www.emarketstorage.com) – a notice indicating the extended deadline for the presentation of lists and a reduction by one half in the percentage equity interest required for the presentation of lists.

PROCEDURES FOR THE APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

Pursuant to the provisions of the aforementioned Article 19 of the By-Laws, the election of the Statutory Auditors shall be carried out in accordance with the following procedures:

- the first two candidates on the list obtaining the highest number of votes shall be elected as statutory auditors, as shall the first candidate from the list obtaining the second-highest number of votes who is not directly or indirectly related to the persons who submitted, or voted for, the list that obtained the highest number of votes, in compliance with the current legislation on gender equality.
- the first candidate for alternate auditor from the list that obtained the highest number of votes and the first candidate for alternate auditor from the list with the second-highest number of votes shall be elected as alternate statutory auditors pursuant to the preceding paragraph, in compliance with the current legislation on gender equality.

In the event of a tied vote between two or more lists, the most senior candidates by age shall be elected as statutory auditors until the posts to be assigned have been filled, and in such a manner as to ensure a composition of the Board of Statutory Auditors that complies with the current legislation on gender equality.

If the procedures indicated above do not result in a composition of the Board of Statutory Auditors that complies with the current legislation on gender equality as regards its standing members,

the necessary replacements shall be made from the list of candidates for standing auditor that obtained the highest number of votes, in the consecutive order in which they are listed.

If a single list or no list is proposed, the Statutory Auditors shall be appointed by the Shareholders' Meeting from among the candidates presented on the list, or those for whom the Shareholders' Meeting voted, provided that they achieve a simple majority of the votes cast and subject to compliance with the current legislation on gender equality.

PROCEDURES FOR THE APPOINTMENT OF THE CHAIRMAN

The Chairmanship of the Board of Statutory Auditors shall be held by the standing Statutory Auditor drawn from any list who obtained the second-highest number of votes. If a single list or no list is proposed, the Chairman shall be appointed by the Shareholders' Meeting from among the candidates presented on the list, or those for whom the Shareholders' Meeting voted, provided that they achieve a simple majority of the votes cast and subject to compliance with the current legislation on gender equality.

PUBLICATION OF THE ELECTION OF THE BOARD OF STATUTORY AUDITORS

The company shall promptly inform the public, by means of a notice issued pursuant to Article 144-*novies* of the Consob Issuer Regulation, of the resulting appointment of the Board of Statutory Auditors.

Deliberations

In view of all of the above, the Shareholders' Meeting is invited to:

- deliberate, in accordance with the procedures set out in this Report, on the appointment of the Board of Statutory Auditors and the Chairman for the three-year term of office 2018/2019/2020.
- determine the remuneration of the standing members of the Board of Statutory Auditors;

With regard to the foregoing, and with particular reference to the assessment of any linking relationships between lists, shareholders are invited to take account of the recommendations contained in Consob Communication DEM/9017893 of 26 February 2009.

March, 16, 2018

Reno De Medici S.p.A.
On behalf of the Board of Directors