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REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

prepared in accordance with Article 123-*bis* of the Consolidated Finance Act (CFA)

(Traditional administration and control model)

FINANCIAL YEAR 2017

Approved by the Board of Directors of Reno De Medici S.p.A. on March 16, 2018

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C.C.	The Italian Civil Code
CFO	Head of the Finance and Control Department
Board of Directors	The Board of Directors of Reno De Medici S.p.A.
Issuer	Reno De Medici S.p.A.
Financial year	The financial year ending 31 December 2017 referred to in this report
RDM Group	Reno De Medici S.p.A. and its subsidiaries pursuant to Article 2359 of the Italian Civil Code and Article 93 of the CFA
Stock Exchange Regulation Instructions	The Instructions for the Regulation governing Markets Organized and Managed by Borsa Italiana S.p.A.
Stock Exchange Regulation	The Regulation governing Markets Organized and Managed by Borsa Italiana S.p.A.
Issuer Regulation	The Regulation issued by Consob through Resolution 11971 of 14 May 1999 concerning issuers, as amended and supplemented
Market Regulation	The Regulation issued by Consob through Resolution 20249 of 2017 concerning markets
Regulation on Related Party Transactions	The Regulation issued by Consob through Resolution 17221 of 12 March 2010 concerning related party transactions, as amended and supplemented
Report	This report on corporate governance and ownership structure prepared pursuant to Article 123- <i>bis</i> of the CFA
Company/RDM	Reno De Medici S.p.A. (“RDM”) with registered office at Viale Isonzo, 25, Milan
CFA	Legislative Decree 58 of 24 February 1998, as amended and supplemented

Reno De Medici S.p.A.

Viale Isonzo 25, Milan

Share capital €140,000,000.00 fully paid up

Fiscal Code and Milan Companies Register no. 00883670150

www.rdmgroup.com

Report on Corporate Governance and Ownership Structure

pursuant to Article 123-*bis* of the CFA

Financial year 2017

INTRODUCTION

This Report provides, pursuant to Article 123-*bis*, paragraphs 1, 2 and 3, of the CFA, information – for financial year 2017 – concerning:

- the ownership structure in accordance with the detailed elements provided for by Article 123-*bis*, paragraph 1, of the CFA;
- the procedures for adherence by the Issuer to the Corporate Governance Code;
- the main characteristics of the existing risk management and internal control systems in relation to the financial reporting process, including at consolidated level;
- the mechanisms of functioning of shareholders' meetings, their main powers, shareholders' rights and the procedures for the exercise of those rights;
- the composition and functioning of the management and control bodies and of the committees established within the Board of Directors, including a description of the diversity policies (as referred to in Article 123-*bis*, paragraph 2, sub-paragraph d-*bis*), of the CFA) applied in relation to the composition of the above-mentioned bodies.

1.0 ISSUER PROFILE

The RDM Group is the leading Italian producer and the second-largest European producer of cardboard made from recycled materials. Following the acquisition of R.D.M. La Rochette s.a.s. (formerly Cascades s.a.s.), completed on 30 June 2016, RDM is also active in the segment of cardboard made from virgin fiber.

The Group's various types of products are intended for use in all sectors, from packaging to publishing.

The Group has six production plants, three of which are in Italy, two in France and one in Germany. Reno De Medici's broad range of recycled cardboard products is offered on the market through different commercial lines that makes it possible to satisfy customers' various needs and achieve widespread coverage in all European countries.

Customer service and the optimization of efficiency are essential values for the Group, which sets itself the aim of becoming the ideal partner for transformers and end users of recycled cardboard, offering them innovation, quality and convenience. The Reno De Medici Group is also actively committed to the environment and sustainable development, and for this reason pursues a management approach that pays special attention to the natural and energy resources used in the production process. One of the main strengths of Reno De Medici is the closed-cycle value chain of the product based on recycled materials.

The primary aim of the corporate governance system adopted by the Issuer, in accordance with the traditional management and control system is to create value for shareholders and stakeholders in general, while taking account of the importance of transparency in making choices and company decisions, and of the need to develop an effective internal control system.

The Issuer is continually engaged in identifying and pursuing initiatives to improve the governance system.

2.0 INFORMATION ON THE OWNERSHIP STRUCTURE (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 1, OF THE CFA) AS AT 16 MARCH 2018

A) SHARE CAPITAL STRUCTURE COMPOSITION AND RIGHTS ATTACHED TO SHARES

At the date of approval of this Report, the share capital of Reno De Medici S.p.A., fully subscribed and paid up, amounts to €140,000,000.00, divided into a total of 377,800,994 shares with no nominal value.

The shares are placed in the central management system for uncertificated securities and are traded on the Mercato Telematico Azionario (Telematic Share Market - MTA) – STAR segment (Segment for High Requirement Shares) – organized and managed by Borsa Italiana S.p.A.

The shares are registered or bearer shares at the request and expense of the shareholder, unless the law provides otherwise, and are indivisible and freely transferable.

The structure of the share capital is described in the table below:

TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE				
	No. of shares	% of share capital	Listing	Rights and obligations
<u>Ordinary shares</u>	377,537,497	99.92%	Listed on MTA Star	Ordinary shares entitle the holder to participate and vote at ordinary and extraordinary shareholders' meetings and carry the additional administrative and capital rights provided for by law for shares with voting rights.
<u>Convertible savings shares</u>	263,497	0.08%		Savings shares do not entitle the holder to vote at ordinary and extraordinary shareholders' meetings or to request the calling of such meetings. They carry the right to preferred dividends and pre-emptive capital redemption in the event that the company is wound up in accordance with the procedures established by the By-Laws. A reduction of the share capital due to losses has no effect on savings shares except for the portion of the loss that is not covered by the fraction of capital represented by the other shares. Pursuant to Article 5 of the By-Laws, savings shares are convertible into ordinary shares at the request of shareholders in February and September of each year, in the ratio of one (1) new ordinary share in exchange for the cancellation and replacement of one (1) convertible savings share.
Shares with limited voting rights	/	/	/	/

There are no other classes of shares or securities not traded on regulated markets, nor are any other financial instruments issued that entitle the holder to subscribe newly issued shares.

B) RESTRICTIONS ON THE TRANSFER OF SECURITIES

There are no restrictions on the transfer of shares, nor any limitations on the possession of shares, nor any approval clauses requiring the consent of the Issuer or other shareholders to the transfer of shares.

C) SIGNIFICANT HOLDINGS IN THE COMPANY'S CAPITAL

At the date of approval of this Report, based on the information received pursuant to Article 120 of the CFA and other available information, the following significant holdings in the Company's capital exist.

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY CAPITAL HELD	% OF VOTING CAPITAL HELD
Cascades Inc.	Cascades Inc	57.603	57.603
Caisse de dépôt et placement du Québec	Caisse de dépôt et placement du Québec	5.418	5.418
Amiral Gestion (equity interest held in respect of discretionary asset management)	---	4.817	4.817

D) SECURITIES GRANTING SPECIAL CONTROL RIGHTS

The Issuer has not issued any securities that grant special control rights.

E) EMPLOYEE SHARE OWNERSHIP: MECHANISM FOR THE EXERCISE OF VOTING RIGHTS

There is no specific mechanism for the exercise of voting rights applicable to an employee share ownership scheme.

The voting rights attached to shares arising from the exercise of option rights under the Stock Grant Plan for the three-year period 2017 - 2018 - 2019 reserved for the Chief Executive Officer (as described in the Remuneration Report mentioned in Article 9.0 below) are not subject to any form of restriction and may be exercised directly by the beneficiary.

F) VOTING RIGHT RESTRICTIONS

There are no restrictions or deadlines imposed for the exercise of voting rights. Furthermore, there are no financial rights, connected with the securities, that are separate from the holding of the securities.

G) SHAREHOLDER AGREEMENTS

The Board of Directors is unaware of the existence of any shareholder agreements, as referred to in Article 122 of the CFA, concerning the exercise of the rights attached to the shares or to the transfer of the same.

H) CHANGE OF CONTROL CLAUSES AND BY-LAW PROVISIONS ON TAKEOVER BIDS

The Issuer has not entered into any significant agreements that will take effect, be amended or terminated in the event of a change of control of the Issuer as contracting company.

As regards takeover bids, the Issuer's By-Laws:

- (i) do not make any exception from the provisions on the Passivity Rule provided for by Article 104, paragraphs 1 and 1-*bis*, of the CFA,
- (ii) do not provide for application of the neutralization rules contemplated by Article 104-*bis*, paragraphs 2 and 3, of the CFA.

I) DELEGATIONS OF POWER TO INCREASE THE SHARE CAPITAL

At the date of this Report, no delegations of power have been granted to the Board of Directors pursuant to Article 2443 of the Italian Civil Code to increase the share capital, nor has the Board of Directors been granted the power to issue any participative financial instruments other than shares.

IL) AUTHORIZATIONS FOR THE PURCHASE OF TREASURY SHARES

At the date of this Report, RDM holds a total of 1,434,519 treasury ordinary shares, equal to 0.38% of the capital with voting rights. The purchases were made on the Telematic Share Market under the authorization resolved, pursuant to Article 2357 of the Italian Civil Code, by the Ordinary Shareholders' Meeting of 2 November 2015. The period of validity of the said authorization, equal to 18 months, expired on 2 May 2017.

The main elements of the treasury shares purchase program authorized by the above-mentioned Shareholders' Meeting are as follows:

1. Objectives

- ✓ to establish a portfolio composed of ordinary company shares to be used as a means of payment in the context of any extraordinary transactions through exchanges of equity interests, or to form the subject of contributions, or for other uses deemed to be in the company's strategic, financial, commercial and/or operational interests,
- ✓ to purchase treasury shares as a medium/long-term investment,
- ✓ to intervene, in compliance with the provisions in force, either directly or via intermediaries, in order to contain anomalous fluctuations in the share prices or to stabilize trading trends in the face of temporary distortions linked to excessive volatility or low trading liquidity.

2. Maximum number of shares that can be purchased

Up to the permitted maximum pursuant to Article 2357 of the Italian Civil Code – equal to one fifth of the share capital – and within the limits of the distributable profits and available reserves recorded in the most recent approved financial statements.

3. Purchasing and pricing procedures

Purchases made, pursuant to Article 144-*bis*, paragraph 1, sub-paragraph b), of Consob Regulation 11971/1999, in accordance with operating procedures established in the regulations on the organization and management of the said markets, which do not permit the direct coupling of buy bids with predetermined sell bids, and in compliance with any other applicable rules.

Pricing conditions complying with the provisions governed by Article 5 of Regulation (EC) No 2273/2003, which provide, in particular, for a purchase price not exceeding the higher of the price of the last independent trade and the highest current independent bid on the regulated market where the purchase is carried out.

4. Duration

For a period not exceeding 18 months from the date of the resolution by the Shareholders' Meeting of 2 November 2015.

The Shareholders' Meeting of 2 November 2015 also authorized – without any time limits – actions to sell treasury shares purchased at a price 10% lower than the reference price seen on the Telematic Share Market organized and managed by Borsa Italiana S.p.A. in the trading session preceding each individual transaction. If the shares are used for supporting market liquidity, the sales must be made in compliance with the criteria established by the Consob resolution on accepted market practices.

L) MANAGEMENT AND COORDINATION ACTIVITIES

Although the Issuer is controlled by another Company, it does not consider itself to be subject to that Company's management and coordination pursuant to Articles 2497 et seq. of the Italian Civil Code.

The reasons underlying this assessment are the following:

- (i) the Issuer's Board of Directors has an autonomous and exclusive role in the approval of the strategic, business, financial plans and annual budgets, prepared by the Chief Executive Officer/CEO, and is not subject to any directive or authorization procedure by the parent company. As regards the composition of the Board of Directors, described herein, it is noted that there is a single non-executive director, who holds an executive position with the Parent Company;
- (ii) the organizational structure of the parent company has no procedure, executive body or central department which formulates binding strategic or operating guidelines for the Issuer to follow;
- (iii) the autonomous organizational structure of the Issuer, both in terms of management of the activities required for operation as well as of the central staff duties in the areas of administration, management, personnel, organizational, legal and corporate control.

INFORMATION ON THE COMPENSATION OF DIRECTORS IN THE EVENT OF RESIGNATION, DISMISSAL OR TERMINATION FOLLOWING A TAKEOVER BID (ARTICLE 123-BIS, PARAGRAPH 1, SUB-PARAGRAPH I) / INFORMATION REFERRED TO IN ARTICLE 123-BIS, PARAGRAPH 1, SUB-PARAGRAPH L), OF THE CFA).

It is stated that:

- the information required by Article 123-bis, paragraph 1, sub-paragraph i) of the CFA is contained in the Remuneration Report published pursuant to Article 123-ter of the CFA. It is also noted that as at the date of approval of this Report, no agreements had been entered into with Directors and/or Executives with strategic responsibilities assigning them compensation in the event of their resignation, dismissal without just cause or termination following a takeover bid, with the exception of the compensation required by law or pursuant to the reference collective agreements.
- the information required by Article 123-bis, paragraph 1, sub-paragraph i) of the CFA ("the rules applicable to the appointment and replacement of directors, as well as to the modification of the By-Laws, if different from the additionally applicable legislative and regulatory rules") is provided in the section of this Report devoted to the Board of Directors.

3.0 COMPLIANCE

Reno De Medici S.p.A. adheres to the Corporate Governance Code approved in March 2006 – and last updated in July 2015 – by the Corporate Governance Committee and available to the public on the following page of the Corporate Governance Committee's website: <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>.

At the date of approval of this Report, the Issuer and its direct or indirect subsidiaries are not subject to any non-Italian legal provisions that might affect the Issuer's Corporate Governance structure.

There follows a description of the corporate governance system applied by the Issuer, indicating the implemented or scheduled procedures and actions for adaptation to the specific recommendations of the

Corporate Governance Code, as well as the reasons for any partial divergences, where indicated, from those recommendations.

4.0 BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT

Below are the provisions of Article 12 of the company's current By-Laws, concerning, among other things, the rules and procedures for the appointment of the directors via the list voting system, as well as the rules applicable to the replacement of directors.

It is stated that the By-Laws do not specify any requirements of independence for the directors with respect to those established for the Statutory Auditors pursuant to Article 148 of the CFA, and that the Company is not subject to any rules concerning the composition of the Board of Directors other than those specified by the CFA.

As regards the amount of equity interest required for the presentation of lists for the appointment of the Board of Directors, the By-Laws state that only those shareholders who, individually or collectively with other submitting shareholders, hold a total of share capital representing at least 2.5% (or such other percentage set by laws or regulations) of shares with voting rights at ordinary Shareholders' Meetings may submit lists.

Under Resolution 20273 of 24 January 2018, the amount of equity interest determined by Consob pursuant to Article 144-septies of the Issuer Regulation for the presentation of lists applicable to Reno De Medici S.p.A. is 2.5% of the share capital, unless the By-Laws specify a lower amount, which is therefore not determined.

BY-LAWS – ARTICLE 12 – BOARD OF DIRECTORS

The Company is administered by a Board of Directors composed of 5 to 15 members, whose term of office lasts for up to three years and expires on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term, and who may be re-elected. The directors are removed from office and re-elected or replaced in accordance with the provisions of the law and of the By-Laws.

The directors must meet the requirements prescribed by law and by the relevant regulatory rules; a minimum number of them, corresponding to the minimum specified by the above-mentioned rules, must meet the independence requirements referred to in Article 148, paragraph 3, of Legislative Decree 58/1998.

If a director ceases to meet the requirements, he or she is removed from office. If a director ceases to meet the above-mentioned independence requirements, this does not result in his/her removal from office if the requirements continue to be met by the minimum number of directors prescribed by the laws and regulations in force.

Before proceeding to appoint the members of the Board, the Shareholders' Meeting is required to establish the term of office and number of members of the Board. If the number of directors is found to fall below the prescribed maximum, the Shareholders' meeting, during the period for which the Board remains in office, may increase that number. The term of office of the new directors thus appointed will expire at the same time as that of the directors in office at the time of their appointment.

The Board of Directors is appointed, in compliance with the laws and regulations prevailing at the time concerning gender equality, on the basis of lists presented by shareholders by the method specified below, under which candidates are assigned a sequential number.

The lists presented by shareholders and signed by those presenting them must be lodged at the Company's registered office at least twenty-five days prior to the date of the Shareholders' Meeting at first call; the lists shall be made available to whomever makes a request to this effect and shall be subject to all the other forms of communication provided by the laws and regulations prevailing at the time.

Shareholders that are signatories to a significant shareholder agreement pursuant to Article 122 of Legislative Decree 58/1998, 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. Names listed or votes cast in breach of this prohibition will not be allocated to any list.

Only those shareholders who, individually or collectively with other submitting shareholders, hold a total of share capital representing at least 2.5% (or such other percentage set by laws or regulations) of shares with voting rights at ordinary Shareholders' Meetings may submit lists.

The following must be lodged together with each list by the respective deadlines indicated above: (i) 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 for the respective positions; (ii) a curriculum vitae of each candidate relating to his or her personal and professional characteristics, with a description as appropriate of the reasons justifying why he or she should be considered to be independent pursuant to Article 148, paragraph 3, of Legislative Decree 58/1998.

In addition, within the term provided by the applicable discipline for the publication of lists by the Company, shareholders must lodge suitable certificates issued by an intermediary authorized by law demonstrating that they are the owners at the date of the lodging of the lists with the Company of the number of shares required for the presentation of the list.

Any lists that present a number of candidates equal to or greater than three must also include candidates of both genders so that at least one fifth (for the first term of office after 12 August 2012) and then one third (rounded to the nearest integer) of the candidates belong to the least represented gender.

Any lists presented without observing the above requirements shall be considered as not having been presented.

The election of the Board of Directors shall be carried out as specified below:

- a) all but one of the directors to be elected shall be taken from the list that obtained the highest number of votes in the consecutive order in which they are listed;
- b) the remaining director shall be taken from the minority list which is not connected in any way – directly or indirectly – with the list indicated in paragraph a), above, or with shareholders who submitted or voted for the list indicated in paragraph a), above, and which obtained the second highest number of votes.

For this purpose, however, consideration shall not be given to lists that have not obtained a percentage of votes that is at least equal to half of the required percentage for submitting lists as indicated in paragraph eight of this article.

If the election of candidates using the above procedures is unable to ensure the appointment of a number of directors fulfilling the independence requirements for statutory auditors (under Article 148, paragraph 3 of Legislative Decree 58/1998) that meets the legal minimum number of directors, then the non-independent candidate elected last in consecutive order on the list with the highest number of votes, as indicated in sub-paragraph a) of the preceding paragraph, shall be replaced by the first independent candidate not elected on the same list in consecutive order, or, failing this, by the first independent candidate in consecutive order not elected from other lists according to the number of votes obtained by each. This replacement procedure shall continue until the Board of Directors is made up of a number of members meeting the requirements indicated in Article 148, paragraph 3 of Legislative Decree 58/1998, which is equal at least to the minimum required by law. Finally, if this procedure fails to produce the latter result, the replacement shall be made by a resolution passed by the Shareholders' Meeting by a simple majority following the submission of nominations of individuals meeting the aforementioned requirements. In addition, if the procedures indicated above fail to produce a composition of the Board of Directors that complies with the rules in force at the time concerning gender equality, the candidate of the least represented gender elected last in consecutive order on the list with the highest number of votes shall be replaced by the first candidate of the least represented gender not elected on the same list in consecutive order. This replacement procedure shall be followed until the composition of the Board of Directors complies with the rules in force at the time concerning gender equality. Finally, if this procedure fails to produce the result indicated above, the replacement shall be made by a resolution passed by the Shareholders' Meeting by a simple majority following the submission of nominations of individuals belonging to the least represented gender.

If only a single list is presented, or if no list is presented, the Shareholder's Meeting shall take decisions by legal majority, without observing the procedure provided for above, and in such a way as to ensure the presence of the minimum number of independent directors prescribed by law and by the By-Laws, as well as in compliance with the legislation in force concerning gender equality. However, other additional provisions of unalterable laws or regulations shall continue to apply.

If, during the term of office, one or more directors leave the Board, provided the majority continues to be composed of directors appointed by the Shareholders' Meeting, the following procedure shall be followed pursuant to Article 2386 of the Italian Civil Code:

- a) the Board of Directors shall replace the directors who left the Board with individuals from the same list as the one the departing directors belonged to; however, the number of directors meeting the requirements of independence indicated in Article 148, paragraph 3 of Legislative Decree 58/1998 must be equal to the minimum set by law, and the Shareholders' Meeting shall take decisions by legal majority in accordance with the same rule;
- b) if there are no more unelected candidates on the aforementioned list, or no candidates that meet the specified requirements, or when for any reason it is not possible to comply with the provisions of sub-paragraph a), the Board of Directors – and, subsequently, the Shareholders' Meeting – shall make the replacement by legal majority, with no list voting.

In any event, the Board of Directors and the Shareholders' Meeting shall proceed with the appointment in such a way as to ensure the presence of the minimum number of independent directors required by the laws and regulations prevailing at the time, as well as in compliance with the legislation in force concerning gender equality. The Shareholders' Meeting may, however, resolve to reduce the number of Board members to the number of directors in office for the remaining period of their term of office.

In the event of the loss, for any reason, of at least half of the directors appointed by the Shareholders' Meeting, the entire Board shall be deemed to be removed from office. In this case, the remaining active directors must urgently call a Shareholders' Meeting for the appointment of a new Board. Furthermore, the Board shall remain in office until the Shareholders' Meeting has approved its replacement. Until that time, the Board of Directors may only carry out acts of ordinary administration.

The members of the Board of Directors are entitled to a remuneration to be counted among the Company's costs. This remuneration is determined by the Shareholders' Meeting and shall remain the same until any new resolution is adopted. The members of the Board of Directors are also entitled to reimbursement of the expenses incurred in connection with their office.

Rules applicable to modification of the By-Laws

There are no rules applicable to modifications of the By-Laws apart from the additionally applicable legislative and regulatory rules.

In particular, modifications of the By-Laws are resolved by the Extraordinary Shareholders' Meeting. Pursuant to Article 10 of the By-Laws, for the constitution and resolutions of the Extraordinary Shareholders' Meeting, both at first call and at subsequent calls, the legal provisions shall apply, as regards both the proper constitution of the Meeting and the validity of its resolutions.

With reference to the provisions of Article 2365 of the Italian Civil Code and pursuant to Article 15 of the By-Laws, the Board of Directors has the power to adopt resolutions concerning:

- mergers, in the cases specified in Articles 2505 and 2505-*bis* of the Italian Civil Code, and spin-offs, in the cases referenced in Article 2506-*ter* of the Italian Civil Code,
- establishment and closure of branch offices,
- transfer of the registered office within Italy,
- indication of those directors who are legal representatives of the company,
- reduction of share capital following redemptions,
- adjustments of the By-Laws to legal provisions.

Succession Plans

The Board of Directors has not considered establishing Succession Plans for executive directors, partly in consideration of the shareholder structure characterized by the continuous presence of a reference shareholder.

4.2 COMPOSITION

As at the closing date of the reporting year for this Report, the Board of Directors is made up of seven directors, comprising:

- one (1) executive director, holding individual management powers – as indicated in Article 4.4 below – assigned by the Board of Directors;
- six (6) non-executive directors, not holding individual management powers and not holding the office of chief executive officer or executive chairman in companies controlled by the Issuer or any executive office in the Issuer (or in subsidiaries), or in the parent company when the office also concerns the Issuer.

Among the non-executive directors, the Board of Directors has ascertained, with the assistance of the Board of Statutory Auditors, the satisfaction of all the independence requirements set out in the Corporate Governance Code for three (3) directors, as indicated in the table below:

The current composition of the Board of Directors is as follows:

Name	Position
Eric Laflamme (*)	Chairman – Non-executive
Michele Bianchi	CEO – Executive
Giulio Antonello	Non-Executive – Independent
Laura Guazzoni	Non-Executive – Independent
Gloria Marino	Non-Executive – Independent
Allan Hogg	Non-Executive
Sara Rizzon	Non-Executive

(*) appointed by co-optation on 3 November 2017 to replace Robert Hall, who resigned.

Information concerning the personal and professional characteristics of each member of the Board of Directors is available on the website www.rdmgroup.com.

The Board of Directors was appointed by the Shareholders' Meeting of 28 April 2017 for a term of office of three financial years, specifically until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019.

The Chairman Eric Laflamme, co-opted during the course of the reporting year as specified below, holds office, pursuant to Article 2386 of the Italian Civil Code, until the next Shareholders' Meeting called for 30 April 2018.

All the directors currently in office – except, as indicated above, the Chairman – were drawn from the single list presented by the shareholder Cascades s.a.s. to the Shareholders' Meeting of 28 April 2017.

This list named the following candidates:

1. Robert Hall
2. Michele Bianchi
3. Giulio Antonello
4. Laura Guazzoni
5. Gloria Marino
6. Allan Hogg
7. Sara Rizzon
8. Matteo Rossi

Since the required number of members of the Board of Directors had been determined to be seven by the aforementioned Shareholders' Meeting of 28 April 2017, the only candidate not elected was Matteo Rossi.

The list obtained votes representing 100% of the Shareholders' Meeting voting capital.

CHANGES TO THE BOARD OF DIRECTORS DURING FINANCIAL YEAR 2017

The Shareholders' Meeting of 28 April 2017 marked the end of the term of office of the Board of Directors comprising the following members: Robert Hall (Chairman), Michele Bianchi (CEO), Allan Hogg, Matteo Rossi, Laura Guazzoni, Laurent Lemaire.

In view of the appointment of the Board of Directors currently in office in accordance with the composition reported above, it is noted that the following directors consequently left office during financial year 2017: Matteo Rossi and Laurent Lemaire.

It is also noted that on 3 November 2017, the Board of Directors appointed by co-optation to the office of director, by a resolution approved by the Board of Statutory Auditors pursuant to Article 2386 of the Italian Civil Code, Mr. Eric Laflamme to replace Mr. Robert Hall, who resigned from office as Chairman and director.

At the same time, the Board appointed Mr. Eric Laflamme to the office of Chairman, without assigning any individual power of management.

With reference to the above-mentioned provisions of the By-Laws concerning the co-optation of directors, the Board took note of the willingness of the only unelected candidate from the single list presented to the Shareholders' Meeting of 28 April 2017 to waive the appointment. The waiver was expressed in view of the considered suitability of the professional CV of the above-mentioned director appointed by co-optation.

Since the close of financial year 2017 there have been no changes in the composition of the Board of Directors.

Detailed information concerning the structure of the Board of Directors is provided in Table 2 attached to this Report.

Disclosure regarding our diversity policy

The Board of Directors has assessed that the current composition of the administrative body, which was appointed by the Shareholders' Meeting on 28 April 2017 reflects that the combination and integration is balanced in terms of:

- (i) gender diversification;
- (ii) managerial and professional profiles, as they are inherent to both the specific business operations of the issuer as well as differentiated areas of an administrative, financial, legal, taxation and corporate nature;
- (iii) age groups and seniority in specific positions.

In consideration of the above, in the year under review covered by this report, the board did not consider it necessary to adopt a specific policy for diversity (pursuant to Article 123-bis, paragraph 2,

letter d-bis of the Consolidated Finance Act/CFA) in relation to the composition of the administration, management and control bodies.

The Board of Directors has furthermore reserved the right to assess in the year under way as at the date that this report is approved, whether to adopt a specific policy regarding diversity, and has tasked the Nominations Committee to carry out the relative investigations and make the necessary proposals to the Board itself.

Maximum number of offices held in other companies

The offices of director or statutory auditor held by the current directors of Reno de Medici S.p.A. in other listed companies and in financial, banking or insurance companies or companies of significant size are indicated below:

Board of Directors	Offices held by the directors in other listed companies and in financial, banking or insurance companies or companies of significant size:
Eric Laflamme	
Michele Bianchi	/
Giulio Antonello	Eurotech S.p.a.(società quotata) - amministratore Go Internet S.p.a. (società quotata) – amministratore Finanziere Phone 1690 S.a (CH) - amministratore Quercus Asset Selecton Sarl (Lux) – membro advisory board Azienda Agricola Riserva San Massimo S.p.a. - Presidente
Laura Guazzoni	Il Sole 24 Ore S.p.A. (listed company) – Regular auditor Gas Plus S.p.A. (listed company) – Regular auditor Retelit S.p.A. (listed company) – Director Sace Bit S.p.A. – Chair of the Board of Statutory Auditors Augusta Westland S.p.A. – Chair of the Board of Statutory Auditors Simest S.p.A. – Regular auditor C.D.I. S.p.A. – Regular auditor
Allan Hogg	
Gloria Marino	Cairo Communications S.p.A. (listed company) – Regular auditor Uvigal S.p.A. – Regular auditor Newcotech S.p.A. – Regular auditor HSE24 S.p.A. – Regular auditor
Sara Rizzon	

No specific guideline is expressed with regard to the maximum number of offices of director or statutory auditor that can be held by the members of the Board of Directors in companies of the types indicated above, since this assessment is required to be made by each individual director at the time of his/her acceptance of the office.

This position is formulated also with reference to the application criteria of the Corporate Governance Code concerning the role of the Board of Directors, which recommend that directors accept the office

when they believe they can devote the necessary time to the diligent performance of their duties, taking account also of the commitment linked to their working and professional activities, the number of offices of director or statutory auditor held in other listed companies and in financial, banking or insurance companies or companies of significant size.

Induction Program

As part of the CEO's periodic reporting to the Board of Directors, he/she provides the Board members with appropriate, specific and detailed information on various aspects of the Issuer and the Group (including those not closely related to the core business) in order to augment the directors' knowledge of the sector of activity in which the Issuer operates and its business dynamics, as well as to encourage discussion and benefit from various contributions, taking into account the high degree of professional expertise represented on the Board.

The Legal and Corporate Affairs Department also provides the directors with information updates on any changes in the relevant legislative and regulatory framework, with particular reference to national and EU rules relating to listed issuers.

4.3 ROLE OF THE BOARD OF DIRECTORS

The Issuer's corporate governance system assigns a central role to the Board of Directors, to which the By-Laws grant the fullest powers for the ordinary and extraordinary management of the Company, with the exception of those imperatively reserved by law to the exclusive competence of the Shareholders' Meeting, and which is responsible for determining the strategic and organizational guidelines for the Issuer and the Group.

The duties and functions of the Board of Directors can be summarized as follows:

- to examine and approve, in their general outlines, the strategic, industrial and financial plans of the Company and the Group presented by the CEO, and to verify their implementation;
- to examine and approve the corporate governance system of the Issuer and the structure of the Group;
- to define, with the assistance of the relevant Committee and based on its indications, the guidelines for the internal control and risk management system, determining the degree of compatibility of those risks through a management approach consistent with the strategic objectives identified; to assess, at least annually, the suitability of the internal control and risk management system with respect to the characteristics of the business and the risk profile assumed, as well as its effectiveness;

- to approve, at least annually, the plan of work prepared by the Head of the Internal Audit department, after consulting with the Board of Statutory Auditors and the director in charge of the internal control and risk management system;
- to appoint and dismiss the Head of the Internal Audit department, on the proposal of the director in charge of the internal control and risk management system and following a favorable opinion from the Control and Risk Committee, as well as after consulting with the Board of Statutory Auditors. to verify, with the support of the Control and Risk Committee, that the Internal Audit department has the appropriate resources to fulfil its responsibilities;
- to assess, after consulting with the Board of Statutory Auditors, the findings presented by the independent auditor in any comment letter and in the report on fundamental issues that emerged during the independent audit;
- to assess, with the preliminary support of the Control and Risk Committee, the adequacy of the organizational, administrative and accounting structure of the Company and the subsidiaries;
- to grant and revoke powers of the Chief Executive Officer, and define the limits and procedures for the exercise of such powers; to determine, on the proposal of the Remuneration and Appointments Committee and after consulting with the Board of Statutory Auditors pursuant to Article 2389 of the Italian Civil Code, the remuneration of the Chief Executive Officer and other directors holding special offices;
- to assess, based on the information received at least quarterly from the Chief Executive Officer, the general operating performance;
- to approve in advance the transactions of the Issuer that have a significant impact on the operating results, assets and liabilities and financial position.

In particular, pursuant to a resolution of the Board of Directors and in compliance with the provisions of the By-Laws, transactions relating to the following activities are deemed to have a significant impact, and their examination and approval are reserved exclusively to the competence of the Board of Directors:

- acquisitions, contributions and disposals of equity interests, whose value for any single transaction or combination of related transactions (i.e. used towards the completion of the same transaction) is greater than €10,000,000.00;
- acquisitions, contributions and disposals of businesses or business units, whose value for any single transaction or combination of related transactions (i.e. used towards the completion of the same transaction) is greater than €10,000,000.00;
- acquisitions, contributions and disposals of equity interests, whose value for any single transaction or combination of related transactions (i.e. used towards the completion of the same transaction) is greater than €10,000,000.00;
- definition of joint venture agreements;

- new loans, mortgages and other financial debt of any sort with a term of over eighteen (18) months, whose value for any single transaction or combination of related transactions (i.e. used towards the completion of the same transaction) is greater than €10,000,000.00;
- investments in non-current technical assets with significance in terms of strategic impact, and in any event those of an amount exceeding €10,000,000.00 per single investment.

The Board of Directors also examines and approves in advance any transactions that have a significant impact on the operating results, assets and liabilities and financial position of subsidiaries.

The transactions of subsidiaries to be submitted for approval by the Issuer's Board of Directors are identified as significant based on criteria of nature and value.

Specifically, the transactions of subsidiaries that are identified as significant include the following:

- acquisitions, contributions and disposals of equity interests;
- joint venture agreements;
- acquisitions, contributions and disposals of businesses and business units;
- acquisitions and disposals of real properties;
- investments in non-current technical assets with substantial significance for the Group;
- taking out of loans, issuance of real or personal guarantees;

when one or more of the following criteria are satisfied:

- a) the transactions can be considered, pursuant to the provisions of Regulation (EU) No 596/2014, to be inside information and are therefore subject to obligations of public disclosure;
- b) the transactions have a significant impact on the operating results, assets and liabilities and financial position.

In particular, transactions of the types indicated above are considered to have a significant impact on the operating results, assets and liabilities and financial position when they have a value, in terms of their amount or the payment involved, of €5,000,000.00.

During financial year 2017, the Board of Directors held seven meetings, which were duly attended by the Board of Statutory Auditors, with an average duration of one hour and forty-three minutes.

Table 2 attached to this report shows the information regarding the meetings attended by each director.

As regards the meetings of the Board of Directors scheduled for financial year 2018, as at the date of approval of this Report, two meetings of the Board have been held and the following further meetings are scheduled, as per the calendar of corporate events notified to the market pursuant to Article 2.6.2 of the Market Regulation:

- 2 May 2018 (review of the interim management report as at 31 March 2018),
- 31 July 2018 (review of the semi-annual financial report as at 30 June 2018),

- 31 October 2018 (review of the interim management report as at 30 September 2018).

The By-Laws do not specify a minimum frequency for the meetings of the Board.

The calendar of corporate events is available on the Issuer's website (www.rdmgroup.com/governance/eventisocietari).

During 2017, meetings of the Board of Directors were also attended by individuals not on the Board such as the Head of Legal and Corporate Affairs, who also acted as the Board's secretary, and Stefano Moccagatta, as CFO and Executive Responsible for the Preparation of the Company's Financial Reports and Investor Relator. In addition, from time to time the Board also evaluates whether it would be necessary/beneficial to invite outside individuals, depending on the items on the agenda, in order to benefit from their specific expertise.

As at the date of this Report, no director has indicated that he/she performs activities that are in competition with the Company. In this regard, we note that the Shareholders' Meeting has not given overall advance authorization for exceptions to the non-competition rule set forth in Article 2390 of the Italian Civil Code.

SELF-ASSESSMENT

The Board implemented a process of self-assessment for the Board of Directors and the Committees appointed within the Board of Directors.

Specifically, the self-assessment process was implemented through the individual completion of suitable "self-assessment questionnaires", collected by the Legal and Corporate Affairs Department and brought to the attention of the Appointments Committee and the Board of Directors in aggregate form.

The essential aim of the self-assessment process, which is to be repeated annually, is to ensure the adequacy of the size, composition and working procedures of the Board of Directors and the Committees within it, including through the expression of any guidelines concerning the persons whose presence on the Board is considered appropriate and also taking account of elements such as the professional and managerial characteristics, gender and experience of the members, as well as their length of service in office.

Specifically, the assessment of adequacy focused on: (i) the individual characteristics of the Board members in terms of professional requirements and experience; (ii) the structural characteristics of the Board of Directors (its size, particularly as regards the characteristics of the Group and the possibility of adequate formation of the Committees within the Board; its composition, particularly in terms of a balanced subdivision and ratio between genders, executive directors and the adequacy of the number of independent directors); (iii) the organizational characteristics of the Board of Directors in terms of the

processes and working procedures of the Board (flows of information through advance provision to the directors of adequate documentation on the items on the agenda; the frequency and scheduling of meetings; the frequency of directors' attendance at meetings; and the supporting documentation for the minutes).

Similar assessments, where applicable, were also carried out with reference to the Committees within the Board of Directors.

The results of the process revealed a general level of adequacy of the above-mentioned elements subject to self-assessment, including with reference to the independent directors.

4.4 DELEGATED BODIES

Article 16 of the Company By-Laws specifies that the Board of Directors may delegate some of its powers to an Executive Committee or to the Chairman and/or its other members and may appoint one or more chief executive officers. The delegated bodies may in turn grant, within the scope of powers received, powers for individual acts or categories of acts to Company employees and third parties, with the option to sub-delegate powers.

CHIEF EXECUTIVE OFFICER

The Board of Directors appointed the director Michele Bianchi as Chief Executive Officer, granting him the related management powers.

The Chief Executive Officer is the person with principal responsibility for the management of the Issuer. It is stated that the "interlocking directorate" situation referred to in application criterion 2.C.5. of the Corporate Governance Code does not exist, since the Chief Executive Officer does not hold the office of director of any other issuer.

Specifically, the Chief Executive Officer is granted powers of ordinary and extraordinary administration, subject to limits as regards value and nature. In particular:

- (i) the granted powers can be exercised for transactions that do not involve, individually or for a combination of related transactions, expenditure commitments exceeding €10,000,000.00;
- (ii) pursuant to the By-Laws, the following matters do not fall within the powers of the Chief Executive Officer and are reserved exclusively to the competence of the Board of Directors:
 - any proposal to be submitted to the Extraordinary Shareholders' Meeting that concerns or entails an increase in the Company's share capital;
 - any transaction to purchase, sell or lease businesses, business units, assets, including real properties or equity investments (including the purchase or sale of treasury shares or the redemption of shares) categorized as non-current assets, whose value for any single transaction or combination of related transactions (i.e. used towards the completion of the same transaction) is greater than €10,000,000.00;

- any proposal to be submitted to the Shareholders' Meeting concerning the distribution of dividends and/or reserves in any form, and/or transactions for the voluntary reduction of capital or relating to any resolution to distribute dividends in advance;
- new loans, mortgages and other financial debt of any sort with a term of over eighteen months, whose value for any single transaction or combination of related transactions (i.e. used towards the completion of the same transaction) is greater than €10,000,000.00;
- approval of strategic plans, annual and multi-year budgets and strategically significant changes in such plans and/or budgets.

Pursuant to the Company By-Laws and the provisions of Article 150 of the CFA, the CEO shall report to the Board of Directors and the Board of Statutory Auditors – at least quarterly or in any case at all Board meetings – on activities performed, general operating performance, projected operating performance and transactions with the greatest operating, financial and balance-sheet impact or, in any case, those transactions completed by the Company and subsidiaries with the greatest significance in terms of their size or characteristics. In particular, the CEO shall report on transactions in which he/she has an interest on his/her own behalf or on behalf of third parties, and on any atypical or unusual transactions or related party transactions that are not reserved to the exclusive competence of the Board. As a general rule, this information is to be provided concurrently with the approval of the periodic financial reports by the Board of Directors.

It is hereby confirmed that in 2017, this information was actually provided by the CEO to the Board of Directors and the Board of Statutory Auditors on a quarterly basis, concurrently with the approval of the periodic financial reports (financial statements, semi-annual report and additional quarterly reports) by the Board of Directors, and that such information is contained in the minutes for the individual meetings concerned.

In order to make the most of Board meetings as a typical opportunity for the directors (and particularly the non-executive directors) to obtain information on the company's operations, the CEO ensures that the executives in charge of the company departments related to the items on the agenda are available to participate, if required, in the aforementioned meetings and/or meetings of the various Committees within the Board.

CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors has not received any powers of management and has not been vested by the Board with any specific role in the formulation of the business strategies.

The Chairman convenes and coordinates the meetings of the Board of Directors. In order to allow informed participation in the relevant meetings, the documentation relating to the items on the agenda is normally sent in advance to directors and statutory auditors, courtesy of the Board's secretary and the Corporate and Legal Affairs Department, with average advance notice of three (3) days, except in cases of necessity and urgency.

As a general rule, the sent documentation is accompanied by a summary document concerning the most significant items in terms of the adoption of the resolutions proposed on the agenda.

4.5 OTHER EXECUTIVE DIRECTORS

The Board of Directors has not created an Executive Committee.

The Board does not have any other members, apart from the Chief Executive Officer, who must be regarded as executive directors, meaning directors holding individual powers of management or holding the office of chief executive officer or executive chairman in companies controlled by the Issuer or any executive office in the Issuer (or in subsidiaries), or in the parent company when the office also concerns the Issuer.

4.6 INDEPENDENT DIRECTORS

The Board of Directors at its meeting of 28 April 2017, following appointment by the Shareholders' Meeting, based on the information provided by the individuals concerned and available to the Company, verified the satisfaction of the independence requirements by the following non-executive directors:

- Giulio Antonello;
- Gloria Marino;
- Laura Guazzoni.

The verification of the independence requirements was carried out by applying all the criteria prescribed by the Corporate Governance Code.

This verification took place during the Board meeting, but in the absence of the members concerned. The Board of Statutory Auditors verified the adequacy and appropriateness of the criteria used by the Board to assess whether the independence requirements had been met. Note that at the time of their nomination, all the Independent Directors agreed to uphold this requirement. If a director ceases to meet this requirement, he/she is required to notify the Board immediately and delay his/her appointment. The results of the verifications are made known by means of a notice circulated to the market on the same date.

During financial year 2017, the independent directors held one meeting, in the absence of the other directors, concerning the assessment of the working procedures of the Board of Directors.

4.7 LEAD INDEPENDENT DIRECTOR

The Board has not designated an independent director as lead independent director, as the conditions provided for by the Corporate Governance Code do not apply.

5.0 MANAGEMENT OF CORPORATE INFORMATION

As regards the management of corporate information, a series of procedures and measures are in force, which are also incorporated as elements of the Organization, Management and Control Model adopted by the Board of Directors pursuant to Legislative Decree 231/2001 and described in summary form in this Report.

CODE FOR THE MANAGEMENT OF INSIDE INFORMATION

The purpose of the procedure is to:

- regulate, according to criteria of confidentiality, the monitoring, management and internal distribution of corporate documents and information – with particular reference to the inside information mentioned in Article 181 of the CFA and in Arts. 7 et seq. of Regulation (EU) No 596/2014 – concerning the Issuer and subsidiaries;
- regulate the disclosure to the public, according to criteria of transparency, timeliness and non-selectiveness, in compliance with the applicable legal and regulatory provisions, of inside information.

The procedure also contains the provisions concerning subsidiaries required by Article 114 of Legislative Decree 58/1998 with regard to information flows to Reno de Medici S.p.A. allowing it to disclose to the market in an adequate and timely manner any events and circumstances that might be classed as inside information and relate to the operating activities of the subsidiaries.

REGISTER OF PERSONS WITH ACCESS TO INSIDE INFORMATION

The procedure described above must be regarded as linked to the “Procedure for the management of the Register of persons with access to inside information” (the “Register”)” put in place by the Board of Directors pursuant to Article 115-*bis* of the CFA.

The Provisions regulate: (i) the identification, entry in the Register and any subsequent removal of persons who, due to their working or professional activity or the functions performed on behalf of the Company or subsidiaries, have permanent or occasional access to inside information; (ii) the information flows to the corporate function responsible for maintaining the Register, as necessary for the implementation of the related entries and/or removals; (iii) the provision of information to persons entered in the Register with regard to the respective entries and to any related changes and removals; (iv) the management and searching of the data contained in the Register, capable of being performed by a computerized means that ensures the traceability and storage of the data.

INTERNAL DEALING

The procedures for the management and disclosure of documents and information concerning the Company also include the organizational procedure on Internal Dealing Disclosures adopted by the Board of Directors with reference to the provisions of Article 114, paragraph 7, of the CFA and related implementation rules of the Issuer Regulation, as well as of Regulation (EU) No 596/2014.

These rules concern the obligations to disclose to the Company, Consob and the public any transactions involving Reno De Medici shares, or other financial instruments linked to those shares, carried out by the members of the Board of Directors, the Board of Statutory Auditors and other executives identified as significant persons who have regular access to inside information and hold the power to take management decisions that might have an impact on the development and future prospects of the Company.

The provisions adopted by the Board of Directors: (i) identify the executives of the Company who are obliged to make the disclosures; (ii) provide the identified persons with information about the identification made, the related obligations and the procedures and timings for making the legally required disclosures; (iii) identify the business function of the Company (Legal and Corporate Affairs Department) responsible for receiving and managing the aforementioned disclosures and for circulating them to the market.

6.0 BOARD COMMITTEES

The Board of Directors has established the following Committees within itself:

- Appointments Committee
- Remuneration Committee
- Control and Risk Committee

Information about the composition and functions of the above-mentioned Committees is provided in Articles 7.0, 8.0 and 10.0 of this Report.

As regards operating procedures, the directors making up the Committees act and meet whenever deemed necessary by the Chairman or requested by two other members. The meetings are coordinated by the Chairman, who provides information to the Board at its next meeting and are duly minuted.

The Chairman of the Board of Statutory Auditors attends the meetings without the right to vote.

The Committees access the information and business functions deemed necessary to support the performance of their own functions.

The Committees have the power to request from the Board the allocation of financial resources where instrumental to the performance of their duties.

The members of the Committees have proven professional experience in the sector in question and adequate knowledge and experience in financial and remuneration policy issues.

7.0 APPOINTMENTS COMMITTEE

The Appointments Committee is composed of three directors, all non-executive and independent:

- **Giulio Antonello – Chairman,**

- **Laura Guazzoni;**

- **Gloria Marino.**

In accordance with the Corporate Governance Code, the Committee is vested with the following functions:

- a) to formulate opinions to the Board of Directors concerning the size and composition of the Board, and to express recommendations concerning persons whose presence on the Board is deemed appropriate, as well as concerning matters relating to any maximum number of offices that can be held by directors in other listed companies and in financial, banking or insurance companies or companies of significant size and concerning any exceptions from the prohibition of competition pursuant to Article 2390 of the Italian Civil Code that may be authorized by the Shareholders' Meeting.
- b) to propose candidates to the Board of Directors for the office of director in cases of co-optation where it is necessary to replace independent directors.

The members of the Appointments Committee hold office until the expiry of the directors' term of office and therefore until the approval of the financial statements for the year ending 31 December 2019, unless resolved otherwise.

During 2017, the Appointments Committee held no meetings.

8.0 REMUNERATIONS COMMITTEE

The Board of Directors has established a "Remunerations Committee" the duties of which will be to pursue investigations, provide consulting and make proposals.

The Committee is currently composed of 3 non-executive and independent directors, who have been appointed by the Board of Directors in relation to the provisions of Article 148 of the CAF and the Code of Conduct of Borsa Italiana S.p.A.

The composition of the Committee is shown below:

Name	Position
Giulio Antonello	Chairman Non-Executive - Independent Director
Laura Guazzoni	Non-Executive - Independent Director
Gloria Marino	Non-Executive - Independent Director

Unless decided otherwise, the members of the Remuneration Committee will be in office until expiration of the directors' mandate and therefore until the shareholders' meeting to be held for approval of the financial statements as at 31 December 2019.

The Remuneration Committee will have the following duties:

- Provision of consulting services and proposals to the Board of Directors in regard to definition of the remuneration policy applicable to Directors and Managers with strategic responsibilities and periodic auditing, in coordination with the human resources department, of the adequacy, overall coherence and actual application of the principals defined within the Policies, and the Committee shall report its findings to the Board of Directors;
- Consulting and proposals to the Board of Directors regarding the remuneration of executive directors and other directors with specific duties, as well as the setting of the performance objectives related to the variable component of this remuneration; monitoring of the decisions adopted by the board in verification of actual achievement of the performance objectives.
- Submission to the Board of Directors or proposals relative to the implementation of the Stock Grant Plan established by the shareholders' meeting pursuant to Article 114-bis of legislative Decree 58/1998 which is referred to in section II of this Report, particularly with regard to the performance objectives underlying the plan itself.

In pursuing its duties, the Remuneration Committee shall have access to corporate information and the corporate departments required for fulfillment thereof.

The Directors sitting on the Committee shall act and meet as a board whenever the Chairman considers it necessary or whenever two members request a meeting. The resolutions of the Committee shall require a simple majority vote and shall be regularly minuted.

No director shall attend the meetings of the Remuneration Committee in which the proposals to the Board of Directors relative to that director's remuneration are discussed.

Activities carried out with regard to financial year 2017

During 2017, the Remuneration Committee met 3 times, and regular minutes were kept. Upon the invitation of the Committee itself, these meetings were chaired by the Chairman of the Board of Statutory Auditors. The percentage of participation in the meetings by each member of the Committee was 100%.

The meetings referred to:

- (i) the definition of a proposal to the board of directors for adoption of the remuneration report pursuant to Article 123-ter of the CFA for 2017;
- (ii) again for 2017, the definition of the performance objectives underlying the Stock Grant Plan restricted to the Chief Executive Officer as established by the shareholders' meeting held on 28 April 2017 pursuant to Article 114-bis of the CFA and the performance objectives underlying the variable and monetary remuneration of the Chief Executive Officer;
- (iii) definition of a proposal to the board of directors regarding determination of the remuneration payable to the Chief Executive Officer, requiring a resolution pursuant to Article 2389 of the Italian civil code

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9.0 REMUNERATION OF DIRECTORS

For the information relating to this Section, see the relevant parts of the Remuneration Report approved by the Board of Directors and published pursuant to Article 123-ter of the CFA.

In particular, the Remuneration Report is available on the Issuer's website www.rdmgroup.com/governance/assemblee, as well as via the authorized "eMarket STORAGE" portal (www.emarketstorage.com).

10.0 CONTROL AND RISK COMMITTEE

The Control and Risk Committee is composed of three directors, all non-executive and independent:

- Laura Guazzoni – Chair,

- Giulio Antonello,

- Marino.

The Control and Risk Committee consults with and makes proposals to the Board of Directors and provides it with assistance and support in decisions and assessments relating to the internal control and risk management system and the definition of the guidelines of that system.

The Committee coordinates its activities, according to the respective areas of responsibility, with those of the Board of Statutory Auditors, the independent auditor, the head of the Internal Audit department, the director in charge of the internal control and risk management system and the executive responsible for the preparation of the company's financial reports.

The members of the Control and Risk Committee hold office until the expiry of the directors' term of office and therefore until the approval of the financial statements for the year ending 31 December 2019, unless resolved otherwise.

Specifically, in accordance with the Corporate Governance Code, the Control and Risk Committee is vested with the following functions:

- (i) to provide prior opinions to the Board of Directors for the performance of the tasks entrusted to the Board by the Corporate Governance Code as regards internal control and risk management; in particular, to express binding opinions in the case of deliberations concerning the appointment, dismissal, remuneration and resources of the head of the Internal Audit department;
- (ii) to examine the periodic reports of the Internal Audit department concerning the assessment of the internal control and risk management system, as well as those of particular importance prepared by that department;
- (iii) to assess, together with the executive responsible for the preparation of the company's financial reports, after consulting with the independent auditor and the Board of Statutory Auditors, the correct use of the accounting standards applied and their uniformity for preparing the consolidated financial statements;
- (iv) to monitor the autonomy, adequacy, effectiveness and efficiency of the Internal Audit department;
- (v) to ask the Internal Audit department to conduct audits of specific operating areas, giving immediate notice thereof to the Chairman of the Board of Statutory Auditors;
- (vi) to report to the Board, at least every six months at the time of approval of the annual and semi-annual financial report, on the activities carried out and the adequacy of the internal control and risk management system;
- (vii) to express, including at the request of the director in charge of the internal control and risk management system, opinions on specific aspects relating to the identification of the main business risks, as well as to the design, implementation and management of the internal control and risk management system;

- (viii) to support the assessments and decisions of the Board of Directors relating to the management of risks arising from any prejudicial facts that may have come to the attention of the Board of Directors.

During 2017, the Internal Control and Risk Committee held 2 meetings.

Members of the Board of Statutory Auditors also participate in the work of the Committee as members of the Internal Control and Audit Committee.

In addition, including in relation to items on the agenda, the CEO, the CFO, the Head of Legal and Corporate Affairs and the Independent Auditor were invited to participate, from time to time, in order to report on individual agenda items.

As part of the activities and functions above, during 2017, the Control and Risks Committee concluded the following activities in particular:

- assessed and monitored the work plan prepared by the director in charge of the internal audit and risk management system;
- examined and approved the Three-Year Audit Plan 2017-2019 and the operating plan for 2017 prepared by the Internal Audit Manager, and monitored correct implementation thereof;
- analyzed the reports prepared by the Internal Audit Manager regarding the company processes (IT, financial statement preparation, handling of transpositions, management of human resources, accounts receivable, etc.) and the identified risks;
- examined the periodic reports of the internal audit department, including subsequent to any indications to management of corrective actions and/or improvements to be made, based on the comments;
- verified the Company's fulfillment of/compliance with indications provided;
- with the support of the internal audit department, conducted an audit and analysis of the adequacy of the company's organization, including in light of the new internal organization structure adopted in order to implement the new RDM Group status; it therefore identified areas requiring improvement and noted the activities already pursued by the company to this end in order to monitor the adequacy of the organizational structures, procedures and methods employed by the company;
- monitored, in constant communication and with the collaboration of the Internal Audit Manager and the Company's legal department, the developments relating to new regulations regarding inside information and adaptation of the regulatory framework to the Europe rules on market abuse pursuant to EU Regulation 596/2014;

- examined the action plan in order to analyze and assess the operating and control procedures followed internally by the Group's foreign companies, in order to implement and/or standardize these rules, ensuring compliance of the latter with the current provisions of the law;
- examined and verified the updating of the administrative - accounting procedures issued by the Executive Responsible for the Preparation of the Company's Financial Reports, including following the new definition of the perimeter of the RDM Group;
- assessed the administrative - accounting procedure above with the Executive Responsible for the Preparation of the Company's Financial Reports, auditors and internal audit department;
- maintained regular contact with the Board of Statutory Auditors.
- Upon completion of its verification work, the Committee was able to confirm:
- the adequacy of the internal control and risk management system insofar as the characteristics of the business. Indeed, the Company has adopted appropriate safeguards for the areas of risk identified and constantly made the appropriate and necessary adjustments to its governance and organizational structure, paying attention to corporate changes;
- the essential compliance with the procedures and protocols adopted or adoption of compliant conduct, except for some irregularities;
- the adaptation, by the individual company functions affected from time to time, of the recommendations and the realization of the intervention actions indicated following the audits conducted through the Internal Audit Department.
-

Furthermore, the Committee may obtain the assistance of internal employees and outside professionals, at the expense of the Company, in order to perform its functions.

11.0 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

11.1. INTRODUCTION

The Issuer realizes the importance that financial disclosure plays in establishing and maintaining positive relationships between the company and its many partners, and understands that, together with the business performance, it contributes to the creation of value for shareholders.

RDM is also aware that investors rely on the full compliance of management and all employees with the rules that make up the Company's internal control system.

The control system consists of the combination of rules, procedures and organizational structures that are designed to make it possible (through an appropriate identification system) to identify, measure, manage and monitor key risks and to ensure sound and proper management of the company in keeping with pre-established goals. This system is integrated into the more general organizational and corporate governance structures adopted by the issuer and takes into due consideration benchmark models and best practices at the domestic and international levels. An effective internal control and risk management system contributes to ensuring that the company's management will be consistent with Company objectives set by the Board of Directors and fosters the making of well-informed decisions. Moreover, it

also contributes to ensuring the protection of the Company's assets, the efficiency and effectiveness of company processes, the reliability of financial information and compliance with laws, regulations, the Company's By-Laws and internal procedures.

In terms of internal control, RDM has prepared – and has kept up-to-date – a special system which is in charge of providing correct corporate information and adequate oversight on all Group activities, with a special focus on areas deemed to have the greatest risk.

In addition, through the Internal Audit department, the Company continually determines whether this system is appropriate for the Company's structure. In 2017, in keeping with the Audit Plan approved or following specific request, 10 audit reports were issued, and checks were subsequently made of the corrective actions taken.

Below are the assigned goals that the Group's Internal Control System aims to achieve:

- ensure that the Company's activities are carried out in an effective and efficient manner;
- guarantee the reliability and accuracy of accounting documents and the safeguarding of the Company's assets;
- ensure compliance with external regulations and the Company's internal regulations.

The fundamental elements of the Internal Control System developed by the Company, which is subject to ongoing monitoring and updating, are as follows:

- separation of roles and duties in the conduct of critical transactions;
- traceability of transactions;
- management of decision-making processes based on objective criteria, as far as possible.

This system is implemented through procedures, organizational structures and controls implemented by RDM and the Group's operating companies over the most significant Company processes in terms of risk. The types of controls implemented can be broken down into:

- both preventive and after-the-fact automated or manual line controls for an individual transaction;
- managerial controls over the performance of companies and individual processes as compared to projections.

The above types of controls, which fall under the responsibility of the management of the area concerned, are in addition to the activities carried out by the Internal Audit department, which is charged with ensuring that RDM's auditing activities are completed.

11.2. EXISTING RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

The risk management system for the financial reporting process must not be considered separately from the corresponding internal control system since these are elements of the same risk control and

management system, which in turn is part of the overall internal control system for identifying, managing and monitoring the Company's overall risks.

The aim of this system is to ensure the credibility, accuracy, reliability and timeliness of financial reporting.

11.3. DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE EXISTING RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

The administrative and accounting procedures pursuant to Law 262/05, as amended, are based on an analysis of the risk that intentional and unintentional errors will occur during the processes that lead to the preparation of the financial reports. Thus, the system has been built by identifying and assessing risk areas where events could occur that could compromise the achievement of the aforesaid financial reporting objectives.

On the basis of the identification and assessment of the risk areas, elements of the internal control system were analyzed with respect to financial reporting through:

- a summary overall analysis, with a special focus on controls on the reliability of financial reports;
- an analysis for each operating process concerning financial statement items that are significant for the purposes of financial reporting, using a matrix showing the correlation between the objectives identified for process activities and the related controls.

The system can be broken down into the following macro-phases:

- risk identification and assessment;
- assessment of the adequacy of control activities.

In addition, the following activities are to be assigned to specific functions (Internal Audit):

- verification of the effectiveness of the control system;

- monitoring and development of the control system.

Risk identification and assessment

Risks are identified with respect to financial statement assertions (existence and occurrence, completeness, rights and obligations, measurement and recording, presentation and disclosure) and other control objectives such as compliance with authorization limits, the segregation of incompatible duties, controls over the physical security and existence of assets, documentation and the traceability of transactions.

Assessment of the adequacy of control activities

On the basis of the risk assessment, specific control activities are identified and then broken down into two major categories:

- controls applicable to the entire company organization, which are common to and cut across the entire organization being assessed and represent structural elements of the system of internal control on financial reporting;
- specific controls at the process level.

A Group-wide manual has been prepared, containing guidelines and a description of processes and controls to be implemented for the preparation of the reporting package, as well as the related declarations to be issued under the signature of each applicable body concerning the adequacy of controls performed and the reliability and consistency of the data provided. During 2017, specific Group procedures were prepared to be applied to all foreign subsidiaries with the aim of extending the Control Model used at RDM to all of them.

At the process level, “specific” controls were identified such as checks on the documentation supporting the proper recording of accounting entries, issuance of proper authorizations, completion of accounting reconciliations and implementation of consistency checks.

Specific control activities were carried out with respect to “ordinary” processes performed during the year and with respect to “unusual” processes implemented primarily at the end of the interim and annual accounting periods.

Extraordinary transactions were also subjected to specific control procedures, involving the appropriate management levels.

In particular, the control procedures relating to “ordinary” processes were, for the most part, based on adequate reporting systems.

With regard to consolidated information, there are specific consolidation procedures, including IT-based procedures, that are updated in relation to business requirements and monitored by the area in charge. Consolidated information is received from the various Group companies and processed at headquarters by the Consolidated Financial Statements department.

Verification of the effectiveness of the internal control system

In order to verify and ensure the effectiveness of the internal control system for financial reporting, specific monitoring activities are to be carried out by the parties responsible for processes (“process owners”) or by third parties that are separate from process operations (Internal Audit).

Monitoring and development of the control system

In order to allow for the proper monitoring of the system, the “design” of its components is regularly reassessed in all cases upon the occurrence of significant events or the identification of new risks using the risk assessment process. In particular, following observations that emerged during the auditing phases, in 2017 amendments and supplementations were made to the administrative and accounting procedures, which – as the records for the preceding years demonstrate – are constantly updated in order to ensure that they reflect the business realities as closely as possible.

The effectiveness of controls indicated by procedures that cover the administrative and accounting system is assessed through specific tests conducted by Internal Audit.

Any deficiencies in the design and effectiveness of controls are reported to the process owners and the executive responsible for the preparation of the company’s financial reports for the planning of remedial measures, whose effective implementation is verified.

Pursuant to Article 154-*bis*, paragraph 5, of the CFA, the executive responsible for the preparation of the company’s financial reports and the CEO must attest to the adequacy and effective application of administrative and accounting procedures for the preparation of the separate and consolidated financial statements, as well as any other communication of a financial nature.

11.4 EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL CONTROL SYSTEM

The Board appointed the Chief Executive Officer Michele Bianchi as executive director charged with overseeing the operation of the internal control and risk management system.

The director charged with overseeing the operation of the internal control and risk management system:

- a) oversees the identification of major business risks, taking into account the characteristics of the operations carried out by the issuer and its subsidiaries, and periodically submits them to the Board of Directors for its review;
- b) implements the strategic guidelines established by the Board of Directors, manages the design, implementation and management of the internal control and risk management system, and continually verifies its overall adequacy, effectiveness and efficiency;

- c) manages the adaptation of this system to changes in operating conditions and the legislative and regulatory framework;
- d) may ask the Internal Audit department to conduct audits of specific operating areas and of compliance with internal rules and procedures in the execution of Company transactions, giving immediate notice thereof to the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors;
- e) promptly reports to the Control and Risk Committee (or to the Board of Directors) on problems and critical areas that arise in the performance of his/her activities, or that come to his/her attention, so that the Committee (or the Board) may take the appropriate action;
- f) is charged with coordinating the various individuals involved in the internal control and risk management system and must oversee and participate in the activities assigned to each of them.

11.5. MANAGER OF THE INTERNAL AUDIT DEPARTMENT

A key role in the internal control system is played by Internal Audit, which is charged with:

- (i) ensuring that the oversight activities specified in Legislative Decree 231/2001 are performed;
- (ii) updating the system used to identify, classify and assess areas of risk for the purposes of planning audits;
- (iii) verifying, both continuously and in relation to specific needs, and in compliance with international standards, the effectiveness and suitability of the internal control and risk management system via an audit plan, approved by the Board of Directors, based on a structured process of analysis and prioritization of the main risks;
- (iv) implementing scheduled audits (Plan approved by the Oversight Body and the Control and Risk Committee) and unscheduled audits, identifying any gaps compared to the models adopted and making proposals on the corrective actions to be taken;
- (v) preparing suitable reports on events of particular significance and audit reports detailing the risk management activities and procedures, any recommendations and suggestions for mitigating risks, and assessing the suitability of the internal control and risk management system. These reports are also forwarded to the Oversight Body, the Board of Statutory Auditors, the Risk and Control Committee and the director in charge of the internal control and risk management system;
- (vi) ensuring the maintenance of the relationship with the independent auditor;
- (vii) maintaining the relationship with and providing reports to the Oversight Body, the Internal Control Committee and the Board of Statutory Auditors.

Internal Audit has free access to all data, documentation and information that is useful for the performance of its audits.

Internal Audit is headed by Serena Monteverdi, who was appointed by the Board of Directors on 4 November 2011 on the proposal of the Control and Risk Committee (formerly the Internal Control

Committee) following consultation with the Board of Statutory Auditors and an assessment of her background.

For details of the activities performed in 2017, see the description elsewhere in this Report.

11.6. ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

With the entry into force of Legislative Decree 231 of 8 June 2001, as amended and supplemented, which introduced a specific mechanism for companies to assume liability for certain types of crimes, the Company took measures to avoid, in accordance with the provisions of this regulation, being held liable in this way by creating specific oversight procedures aimed at preventing certain types of crimes.

In particular, on 28 September 2005 the Company's Board of Directors approved the "Organization, Management and Control Model pursuant to Legislative Decree 231/01" (hereinafter the "Model"), meeting the requirements of that Decree and drawn up on the basis of the guidelines issued by Confindustria. The Model, which was approved as a result of organizational and regulatory changes, is continually being updated and amended.

The Model in force at the time of drawing up this Report was distributed to all employees and is published, in its general part, on the Company's website.

Relative to the provisions of Article 6 of the aforesaid Decree, the Board approved the creation of the Oversight Body and created it as a multi-member body. To be specific, it is currently composed of two Independent Directors and one member from outside the Company who has specific expertise on Legislative Decree 231.

The Oversight Body was appointed on 28 April 2017 and, following the resignation of Veronica Arciuolo, the Board of Directors resolved on 16 May 2017 to appoint a new member to serve as Chairman of the Body. The current Oversight Body is composed of the following persons: Daniele Ripamonti – Chairman as from 16 May 2017; Laura Guazzoni and Gloria Francesca Marino.

The meetings of the Oversight Body are attended by Internal Audit, including on the basis of the items placed on the agenda, corporate officers and/or members of the Board of Statutory Auditors. Furthermore, the Company provides a continual flow of information to the Oversight Body so that the latter is able to constantly monitor all activities deemed to be at risk.

Each year, the Oversight Body independently approves its oversight plan, which includes audits of the adequacy of the Model and compliance with the Model.

The Oversight Body also has its own regulations and a budget commensurate with the duties assigned to it.

During 2017, the Oversight Body held five meetings, with an average duration of two hours, with the constant participation of all its members.

11.7. INDEPENDENT AUDITOR

The firm assigned to perform the official audit of accounts is Deloitte & Touche S.p.A., which was appointed by the ordinary Shareholders' Meeting of 27 April 2012 for the period from 2012-2020, and thus until the approval of the financial statements for the year ending 31 (thirty-first) December 2020.

11.8 EXECUTIVE RESPONSIBLE FOR THE PREPARATION OF THE COMPANY'S FINANCIAL REPORTS

The Board of Directors – with the prior approval of the Board of Statutory Auditors – appointed Stefano Moccagatta, RDM's Finance and Control Director, to be the executive responsible for the preparation of the company's financial reports.

Pursuant to Article 21 of the Company's By-Laws, the body authorized to make this appointment is the Board of Directors, subject to obtaining the mandatory opinion of the Board of Statutory Auditors. In accordance with the provisions of Article 154-*bis* of the CFA, the same By-Law provision also specifies that the Executive Responsible must have at least three years' experience in the following areas:

a) administration or 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 that are closely related to the company's operations and the duties that the Executive Responsible is required to perform,

or

(c) executive positions with government agencies or administrations operating in the credit, financial and insurance fields, or, in any case, in areas that are closely related to the company's area of operations.

In accordance with the provisions of current regulations, the Executive Responsible prepared and implemented appropriate administrative and accounting procedures for the preparation of separate and consolidated financial statements and all other communications of a financial nature.

Together with the CEO, the Executive Responsible also certified the following in a special report attached to the separate financial statements, consolidated financial statements and semi-annual report:

(i) the adequacy and effective application of the administrative and accounting procedures indicated above during the period to which these accounting documents refer;

- (ii) the compliance of the content of these documents with the IFRS applicable in the European Union pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- (iii) the consistency of these documents with the entries in ledgers and accounting documents, and their suitability to provide a true and accurate representation of the balance sheet, income statement and financial situation of the Company and all companies included in the consolidation scope;
- (iv) that the report on operations related to the separate and consolidated financial statements contains a reliable analysis of performance and operating profit, as well as the situation of the Company and all companies included in the consolidation scope, together with a description of the main risks and uncertainties to which the latter are exposed;
- (v) that the interim report on operations included in the semi-annual financial report contains a reliable analysis of the information indicated in paragraph 4 of Article 154-ter of the CFA.

The executive responsible for the preparation of the company's financial reports is subject to the provisions governing the responsibility of directors with respect to the duties assigned to them, with the exception of actions taken on the basis of the working relationship with the Company.

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

The Company has adopted specific coordination procedures to be applied among the Board of Directors, the Executive Responsible for the Preparation of the Company's Financial Reports, the Oversight Body, the Control and Risks Committee and the Board of Statutory Auditors not only to maximize the efficiency of the internal audit and risk management system implemented, but also to reduce duplications of activity.

The information flows represent one of the essential components of the coordination system that has been adopted. Indeed, it is thanks to the constant exchange of information that the aforementioned players become aware of the issues affecting the Company and the Group in ways that are significant for compliance and risk management and can therefore direct their efforts to the aforementioned areas, and they were also enabled to adequately pursue the activities required of them and pursuant to the law. In terms of operations, this coordination is carried out through:

- (i) the participation of various players in meetings held to discuss issues connected to the internal audit and risk management system;
- (ii) circulation of reports issued by the internal audit department to the aforementioned players;
- (iii) The circulation of minutes and/or worksheets from the Control and Risks Committee and the Oversight Body to the Board of Statutory Auditors;

- (iv) The transmission of the half year reports from the Chairman of the Control and Risks Committee and the Chairman of the Oversight Body to the Board of Directors.

12.0 DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

Pursuant to Article 2391-*bis* of the Italian Civil Code, and in accordance with the general principles indicated by the “Regulation on Related Party Transactions” issued by Consob with Resolution 17221 of 12 March 2010, as amended (the “Consob Regulation”), during 2010, the Board of Directors approved the Related Party Transactions Procedures, following a favorable opinion from a Committee composed exclusively of independent directors. (the “Procedures”).

The functions of the Related Party Transactions Committee, pursuant to the Consob Regulation, are referred to the Control and Risk Committee, which, as indicated in Article 7.0 above, is composed exclusively of three independent directors and therefore satisfies the composition requirements specified by the Consob Regulation.

The Procedures describe the rules, roles, responsibilities and the actions undertaken to ensure the transparency and the substantive and procedural correctness of the related party transactions carried out by the Company directly or through subsidiaries.

In particular, the Procedures adopted by the Board of Directors:

- identify and define the Related Parties, with reference to the definitions provided in Annex 1 of the Consob Regulation and in IAS 24;
- define the criteria for identifying transactions of greater importance – which must be approved by the Board of Directors following a binding favorable opinion from a Committee composed exclusively of independent directors – and transactions of lesser importance;
- identify the bodies and persons involved in the application of the Procedures, regulating the related roles and flows of information and documentation;
- identify the types of transactions that may be exempt from the application of the Procedures.

In order to further strengthen the requirements of transparency and substantive and procedural correctness of related party transactions in conformity with the underlying principles of the relevant legislation, some of the provisions of the Procedures incorporate more rigorous choices with respect to the options offered to companies pursuant to Article 4, paragraph 1, sub-paragraph f), of the Consob Regulation.

Thus, the Procedures provide for a reduction – for specific types of transactions – of the quantitative thresholds indicated by the Regulation for the identification of transactions of greater importance.

Consistent with the criteria for the identification of related parties as indicated above, the Procedures also make specific provision for cases where the relationship in question concerns a director of the Company and can therefore be considered to be an interest of the director with respect to the transaction concerned.

As a general rule, in cases involving transactions with the Company in which a director holds an interest, on his/her own account or on behalf of third parties, the director concerned – in addition to providing the Board of Directors and the Board of Statutory Auditors with the advance information referred to in Article 2391 of the Italian Civil Code – does not take part, unless decided otherwise by the Board of Directors, in light of the characteristics of the transaction, in the related discussion and voting at Board meetings.

The Procedure governing Related Party Transactions is available on the Issuer's website, www.rdmgroup.com/governance/codiciinterni.

Detailed information about related party transactions for financial year 2017 is provided in the Report on Operations and in the Notes to the separate and consolidated financial statements in the context of the annual Financial Report for the year ending 31 December 2017, available on the website www.rdmgroup.com.

13.0 APPOINTMENT OF THE STATUTORY AUDITORS

Below are the provisions of Article 19 of the Company's current By-Laws, concerning the rules and procedures for the appointment of the Board of Statutory Auditors via the list voting system, as well as the rules applicable to the composition and powers of the Board and the appointment and replacement of its members.

As regards the amount of equity interest required for the presentation of lists for the appointment of the Board of Statutory Auditors, the By-Laws state that only those shareholders who, individually or collectively with other submitting shareholders, hold a total of share capital representing at least 2.5% of shares with voting rights at ordinary Shareholders' Meetings may submit lists.

Under Resolution 20273 of 24 January 2018, the amount of equity interest determined by Consob pursuant to Article 144-septies of the Issuer Regulation for the presentation of lists applicable to Reno De Medici S.p.A. is 2.5% of the share capital, unless the By-Laws specify a lower amount, which is therefore not determined.

“The Shareholders’ Meeting appoints the Board of Statutory Auditors composed of three standing members and two alternates, who may be re-elected, and determines their remuneration. Their powers, duties and terms of office are those established by law.

The Statutory Auditors must meet the requirements prescribed by current laws and regulations.

The Statutory Auditors are appointed, in compliance with the legislation in force at the time concerning gender equality, on the basis of lists presented by shareholders in accordance with the procedures described in the following paragraphs, in order to ensure the appointment from the minority list of one standing auditor and one alternate auditor.

“The lists – which include the consecutively numbered names of one or more candidates – must indicate whether the individual nomination is being submitted for the position of standing auditor or alternate auditor.

The number of candidates on lists must not be greater than the number of members to be elected.

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 fifth (for the first term of office after 12 August 2012) and then one third (rounded to the nearest integer) of the candidates for standing auditor, and at least one fifth (for the first term of office after 12 August 2012) and then one third (rounded to the nearest integer) of the candidates for alternate auditor, belong to the least represented gender in the list.

Only those shareholders who, individually or collectively with other submitting shareholders, hold a total of share capital representing at least 2.5% (or such other percentage set by laws or regulations) of shares with voting rights at ordinary Shareholders’ Meetings may submit lists.

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.

The lists, which are signed by those submitting them, must be filed at the Company’s registered office at least twenty-five days prior to the date set for the first call of the Shareholders’ Meeting, and this must be noted in the notice to convene, without prejudice to any other forms of disclosure required by regulations and other provisions currently in effect.

If, on the due date for submitting lists, only one list has been filed or lists have been submitted only by shareholders that are deemed to be linked according to the applicable regulations, lists may be submitted within the additional period provided for by the rules in force. In this case, the thresholds specified by the By-Laws for submitting lists are to be reduced by half.

By the deadline for filing lists, each list must be accompanied by the following items to be filed at the Company’s registered office: (a) summary information on the submitting shareholders (with the total percentage interest held), (b) a declaration of the shareholders (other than those who hold, individually or jointly, a controlling or simple majority interest) confirming the absence of a linking relationship (as specified in applicable regulatory provisions) with the latter, (c) a thorough report on the professional and personal background of each candidate, (d) declarations whereby individual candidates accept their nominations and attest, under their responsibility, that there are no reasons they would be unelectable or have a conflict of interest, and that they meet the requirements specified in current regulations to hold the position of statutory auditor, and (e) a list of any administration and control positions held in other companies.

The first two candidates on the list obtaining the highest number of votes will be elected as statutory auditors, as will 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 will 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 will 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.

More specifically, 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.

The candidate from the list that received the second-highest number of votes shall be appointed Chair of the Board of Statutory Auditors according to the provisions of the paragraphs above.

If a single list or no list is proposed, the candidates on the list, or those for whom the Shareholders' Meeting voted (provided they obtain the simple majority of votes cast by the Shareholders' Meeting) shall be elected as standing and alternate statutory auditors respectively, subject to compliance with the current legislation on gender equality.

If the requirements set by regulations and the By-Laws cease to be met, the statutory auditor shall forfeit his/her position.

If a Statutory Auditor is substituted, he/she shall be replaced by the deputy statutory auditor on the same list and of the same gender as the departing auditor, or failing this, if a minority statutory auditor leaves his/her position, he/she shall be replaced by the candidate who is next on the same list as the candidate leaving his/her position, or alternatively, by the first candidate on the minority list that received the second-highest number of votes, all subject to compliance with the current legislation on gender equality.

It is understood that the minority statutory auditor shall retain the chairmanship of the Board of Statutory Auditors. When the Shareholders' Meeting is required to appoint standing and/or alternate statutory auditors in order to complete the Board of Statutory Auditors, the following procedure shall be followed: if statutory auditors elected from the majority list must be replaced, the appointment is made by simple majority vote with no list restrictions; if, instead, it is necessary to replace statutory auditors elected from the minority list, the Shareholders' Meeting shall replace them by a simple majority vote and select them from the candidates on the list that provided the statutory auditor to be replaced, or on the minority list that had the second-highest number of votes, and in such a manner as to ensure compliance with the current legislation on gender equality.

If, for any reason, the above procedures do not result in the replacement of statutory auditors designated by the minority, the Shareholders' Meeting shall do so by a simple majority vote. However, when determining the results of this vote, the calculation shall not include the votes of persons who, according to communications made pursuant to current regulations, hold – directly or indirectly, individually, or jointly with other shareholders who are party to the same significant shareholders' agreement pursuant to Article 122 of Legislative Decree 58/1998 – the simple majority of votes that can be exercised at a Shareholders' Meeting, or the votes of shareholders who control, are controlled or are subject to the joint control of these shareholders. All of the above shall always be done in such a manner as to ensure compliance with the current legislation on gender equality.

14.0 COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

The composition of the Board of Statutory Auditors is as follows:

Name	Position
Giancarlo Russo Corvace	Chairman
Giovanni Maria Conti	Standing Statutory Auditor
Tiziana Masolini	Standing Statutory Auditor
Elisabetta Bertacchini	Alternate Statutory Auditor
Domenico Maisano	Alternate Statutory Auditor

There have been no changes in the composition of the Board of Statutory Auditors since the end of the reporting year.

Information concerning the personal and professional characteristics of each member of the Board of Statutory Auditors is available on the website www.rdmgroup.com.

The Board of Directors was appointed by the Shareholders' Meeting of 30 April 2015 for a term of office of three financial years (2015/2016/2017), specifically until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2017.

In this regard, it is noted that a single list for the appointment of the Board of Statutory Auditors was presented to the aforementioned Shareholders' Meeting of 30 April 2015. This list, presented by the shareholder Cascades s.a.s., named the following candidates:

Standing Statutory Auditors

Giancarlo Russo Corvace

Tiziana Masolini

Vincenzo D'Aniello

Alternate Statutory Auditors

Giovanni Maria Conti

Elisabetta Bertacchini

The list obtained votes representing % of the voting capital.

On 1 October 2015, following the resignation of the standing statutory auditor Vincenzo D'Aniello, he was replaced by the alternate statutory auditor Giovanni Maria Conti. The Shareholders' Meeting of 29 April 2016 resolved, pursuant to Article 2401 of the Italian Civil Code, to complete the Board of Statutory Auditors with the confirmation of Giovanni Maria Conti as standing statutory auditor and the appointment of Domenico Maisano as alternate statutory auditor.

As regards the above, the current Board of Statutory Auditors does not include a statutory auditor appointed from minority lists.

Listed below are the offices of director or statutory auditor held by the current standing members of the Board of Statutory Auditors of Reno De Medici S.p.A. in other listed companies:

Board of Statutory Auditors	Offices held by the statutory auditors in other listed companies
Giancarlo Russo Corvace	//
Giovanni Maria Conti	Biancamano S.p.A. - director
Tiziana Masolini	//

During financial year 2017, the Board of Directors carried out the following tasks, among others:

- verified the correct application of the criteria adopted by the Board of Directors for assessing the independence of directors;
- verified that its members continued to meet the independence requirements established by the Corporate Governance Code with reference to the directors, and submitted the results of these verifications to the Board of Directors;
- monitored the independence of the independent auditor, including with reference to the nature and quantity of services, other than auditing, provided to the Company and its subsidiaries by the independent auditor and by entities belonging to its network;
- coordinated with the Internal Audit Department and with the Control and Risk Committee in the performance of its activities through special meetings and by participating in the Committee's meetings, as well as those of the Oversight Body where necessary;
- verified compliance with provisions on health and safety in the workplace, privacy and adherence to the environmental policy;
- approved, pursuant to Article 2386 of the Italian Civil Code, the appointment by co-optation of Eric Laflamme as resolved by the Board of Directors on 3 November 2017;
- expressed the opinion referred to in Article 2389 of the Italian Civil Code concerning the remuneration of the Chief Executive Officer as resolved by the Board of Directors;
- in its capacity as the Internal Control and Legal Oversight Committee, supervised the application of the internal control system and asked Internal Audit to conduct specific quarterly audits.

During financial year 2017, the Board of Statutory Auditors held 13 meetings, with an average duration of 2.5 hours. Meetings were also held between the Board of Statutory Auditors, the Control and Risk Committee and the heads of the various corporate functions – including the Internal Audit Department – with particular reference to the assessment of the adequacy of the internal control and risk management system, and between the Board of Statutory Auditors and the independent auditor for reciprocal exchanges of information.

For the current financial year 2018, also taking into account the expiration of the Board of Statutory Auditors with the Shareholders' Meeting's approval of the financial statements as of December 31, 2017, 5 meetings of the Board of Statutory Auditors are scheduled, of which 3 have already been held as at the date of approval of this Report.

Table 3 attached to this Report shows the respective information regarding meeting attendance by each statutory auditor.

Statutory Auditors' interests

Any statutory auditor who, on his/her own account or on behalf of third parties, has an interest in a particular transaction of the Company must provide prompt and comprehensive information to the other statutory auditors and the Chairman of the Board of Directors about the nature, terms, origin and scope of that interest.

15.0 INVESTOR RELATIONS

A specific corporate function, named Investor Relations, is established to manage relations with institutional investors and, in concert with the Legal and Corporate Affairs Department, with shareholders in general.

The Investor Relations function, entrusted to Stefano Moccagatta, can be contacted at the following e-mail address: investor.relations@rdmgroup.com.

The Issuer has created a special section – named Investor Relations – on its website at www.rdmgroup.com, where information about the Company with significance for shareholders and investors in general is made available.

16.0 SHAREHOLDERS' MEETINGS

There follows a description of the main procedures relating to the calling and functioning of Shareholders' Meetings, as well as to the entitlement to take part in such meetings and exercise voting rights, under the applicable provisions of the By-Laws, laws and regulations.

Procedures for the calling of Shareholders' Meetings:

Shareholders' Meetings are called by means of a notice to be published, within the legal timescales:

- on the Company's website;
- where necessary due to a mandatory provision or a resolution of the directors, including in excerpt form, in the Official Journal of the Italian Republic, or in one of the following daily newspapers: Il Sole 24 Ore, MF – Milano Finanza, Finanza & Mercati;
- in accordance with any other procedures specified by the rules and regulations in force at the time.

The notice of call may also contain the date of any possible second call and, in the case of an Extraordinary Shareholders' Meeting, any third call.

The notice of call must contain the information required by current rules and regulations:

- - details of the day, time and place of the meeting, as well as the list of matters to be discussed; it must indicate:

- any information necessary for the holders of financial instruments to be able to exercise their rights, ensuring that such information is available in the original Member State or in the Member State where the financial instruments are admitted to trading, preserving the integrity of that information;
- a clear and precise description of the procedures that shareholders must follow in order to participate and vote at the meeting, including information concerning:
 - the deadline for exercising the right to ask questions prior to the meeting;
 - the deadline for exercising the right to add items to the agenda or to present additional proposals concerning items already on the agenda, as well as (including by reference to the Company's website) further details about these rights and the procedures for exercising them;
 - the procedure for proxy voting, and in particular the forms that shareholders can use for proxy voting. In this regard, it is noted that the Company's By-Laws also provide for the possibility of authorizing such proxy voting via a digital document signed electronically, in accordance with the procedures indicated in the notice of call, by using a special section of the Company's website or by sending the proxy document to the Company's certified e-mail address;
 - the identity of the person designated by the Company for the granting of voting proxies, as well as the procedures and deadlines for the issuance of voting proxies by shareholders, with the stipulation that the proxy is void in relation to any proposals for which no voting instructions have been issued;
 - the procedures and deadlines for obtaining the full text of the proposals to be discussed, together with the illustrative reports and documents that will be submitted to the meeting;
 - the procedures and deadlines for the presentation of candidate lists, in cases where the meeting must deliberate on appointments to the corporate bodies;
 - the address of the website where the information and documentation for the meeting can be found, so that shareholders and stakeholders can exercise their rights.

If provided for in the notice of call of the meeting, electronic participation and voting at the meeting are permitted.

Procedures relating to entitlement to participate at shareholders' meetings

- entitlement to attend and participate at shareholders' meetings is certified by a notification to the Company, made by the intermediary on the basis of the records relating to the end of the record date of the seventh exchange business day preceding the date set for the meeting (the "record date"). Any changes after this deadline are irrelevant for the purposes of determining entitlement to vote. The notification must reach the Company by the end of the third exchange business day preceding the date set for the meeting, or after the indicated deadline provided it is received before the commencement of preparatory work for the meeting.

The deliberations of ordinary and extraordinary shareholders' meetings are subject to the legal quorum as regards attendance and the adoption of resolutions, at first and subsequent calls.

The powers of ordinary and extraordinary general meetings are those provided and governed by law.

As already indicated in this Report, under Article 4.0 in the section "Rules applicable to modification of the By-Laws", the By-Laws provide, with reference to the provisions of Article 2365 of the Italian Civil Code, the power for the Board of Directors to adopt specific resolutions concerning certain matters that also fall within the competence of the shareholders' meeting, without prejudice to the competence of the shareholders' meeting with regard to those matters.

As regards the rights of shareholders and the procedures for the exercise of those rights, it is noted that the By-Laws do not make any special provisions concerning fixed percentages for the exercise of the shares and prerogatives established by law for the protection of minority shareholders, nor are there any shares carrying multiple voting rights or any provisions of the By-Laws relating to increased voting rights.

The shareholders' meeting held during the relevant reporting period on 28 April 2017 was attended by four directors out of a total of five in office as at that date.

The Chief Executive Officer reported to the meeting on the activities carried out, with particular reference to the operating performance in financial year 2016, supplying the information requested by the shareholders taking part. At the Shareholders' Meeting of 28 April 2017, the Chairman illustrated the Remuneration Report to the shareholders.

The documentation relating to all items on the agenda, including the illustrative reports of the Board of Directors with the related proposals to be discussed, was made available to shareholders, within the legal timescale, by lodging at the registered office, by publication on the Company's website www.rdmgroup.com and via the authorized "eMarket STORAGE" portal (www.emarketstorage.com).

Regulations governing shareholders' meetings

Pursuant to the By-Laws, the Chairman of the meeting directs the discussion and establishes the order and procedures (always well known in any case) for voting.

The Chairman is responsible for moderating and managing interventions, safeguarding the right of each shareholder to speak on the matters under discussion and ensuring the orderly and efficient conduct of the meeting, as well as the efficiency of the related decision-making process in order to protect the interests of all shareholders.

In view of the above, and in order not to predefine any constraints as regards the conduct of discussions at shareholders' meetings, the Issuer has not considered it necessary to adopt a set of regulations governing shareholders' meetings.

During the year under review:

- (i) there were no significant changes in the composition of the shareholding structure
- (ii) there was a 65.4% increase of the market capitalization of the Issuer's shares.

The Board reserved the right to assess whether to propose amendments to the By-Laws in regard to the percentages established for exercising options on shares and the prerogatives for protection of the minority interests.

17.0 CHANGES SINCE THE END OF THE REPORTING YEAR

There have been no significant changes to the Issuer's Corporate Governance structure after the end of the reporting year.

18.0 CONSIDERATIONS ON THE LETTER OF 13 DECEMBER 2017 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The Board of Directors examined the remarks in the letter dated 13 December 2017 from the Chairman of the Corporate Governance Committee.

With reference to the three main areas for which the Committee asks for the issuers' greater adherence to the recommendations contained in the Code, referring to the timeliness, completeness and usability of the pre-meeting information, completeness of the remuneration policies and the establishment and function of the Appointments Committee, the Board evaluated the existence of a suitable level of Issuer adherence.

The Board also reserved the right to implement, during the 2018 financial year, the evaluations regarding the additional areas of Governance that, as per the aforementioned letter, can undergo further qualitative improvement with particular reference to the Succession Plans for Executive Directors and the contents and structure of the Board review.

