



RenoDeMedici

*Registered office at Viale Isonzo, 25, Milan
share capital Euro 140,000,000 fully paid up
Milan Companies Register and Fiscal Code no. 00883670150*

Ordinary Shareholders' Meeting 14th December 2020 on first call – 15th December 2020 on second call

Illustrative Report of the Board of Directors pursuant to article 125 *ter* of Legislative Decree No. 58/1998

Item 1 of the agenda: Appointment of the Statutory Auditors for the nine years period 2021-2029 and determination of the relative compensation.

Dear Shareholders,

with the approval of the Financial Statements as of December 31st, 2020 by the Shareholders' Meeting of Reno De Medici S.p.A. which will be convened within the terms of the law in 2021 year, the Statutory Auditors assignment conferred to Deloitte & Touche S.p.A. for the nine years period 2012-2020 by the Shareholders' Meeting of April 26th, 2012 will expire.

In this regard, please note that the Statutory Auditors assignment cannot be granted to the outgoing Statutory Auditors, as, at the end of the 2020 financial year, the nine years period provided for by article 17 of the Legislative Decree January 27th, 2010, No. 39 as subsequently amended by Legislative Decree July 17th, 2016 No. 135, (hereinafter referred to as the "**Decree**") will be completed. The Decree, indeed, provides that the Statutory Auditors' appointment lasts nine years and cannot be renewed or granted again until four years from the date of termination of the previous appointment have not elapsed.

In consideration of the above, in order to ensure an adequate turnover period, by facilitating the handover between the incoming and the outgoing Statutory Auditors and, so, by allowing to face up more effectively, in order to pursue the best possible quality of the Statutory Auditors, the physiological no full knowledge of the company by the incoming Statutory Auditors, the Company has considered appropriate to start the procedure for the selection of the new auditing firm, in order to allow to submit to the Shareholders' Meeting the relative proposal in advance in respect to the expiration of the current appointment.

It is represented that the selection procedure of the auditing firm was conducted in compliance with the provisions of article 16, paragraph 3 of Regulation (EU) No. 537/2014, under the supervision of the Company's Board of Statutory Auditors, in its quality as the Internal Control and Audit Committee pursuant to article 19 of Decree No. 39/2010.

The Board of Directors, therefore, has convened, at the end of the selection procedure, the today's Shareholders' Meeting to appoint the new Statutory Auditors and to determine the relative compensation.



According to Decree, the Shareholders' Meeting grants this appointment on the basis of the motivated proposal of the Board of Statutory Auditors.

The motivated proposal is therefore submitted to the approval of the today's Shareholders' Meeting, the text of which is attached to this report (**Attachment 1**), formulated by the Board of Statutory Auditors pursuant to articles 13, paragraph 1, 17, paragraph 1 and 19, paragraph 1 letter f) of the Decree regarding the appointment of the Statutory Auditors of Reno De Medici S.p.A. for the financial years 2021-2029, containing two possible alternatives of granting to PricewaterhouseCoopers S.p.A. or EY S.p.A. and the preference, duly justified, expressed by the Board of Statutory Auditors for PricewaterhouseCoopers S.p.A..

Please refer to this motivated proposal for a more analytical report of the proposals made by the Statutory Auditors object of the selection procedure, as well as for a description of the proposal considered most advantageous, pursuant to article 16 of the European Regulation (EU) no. 537/2014.

* * *

Dear Shareholders,

having taken vision of the Board of Statutory Auditors' motivated proposal, we invite you to adopt the following resolution:

"the Ordinary Shareholders' Meeting of Reno De Medici S.p.A., having taken vision of the Board of Statutory Auditors' motivated proposal

resolved

- ❖ *pursuant to Legislative Decree No. 39/2010 and subsequent amendments to appoint PricewaterhouseCoopers S.p.A., in respect of each of the years included in the period 2021-2029, as per the proposal of the auditing firm itself and kept in the record of the Company and published on its website: (i) to perform the legal audit of the separate annual Financial Statements and the consolidated Financial Statements as well as the review of the half-year consolidated Report and (ii) to verify that the Company's accounting records have been kept on a proper basis and that its operations have been correctly recorded in the accounting entries;*
- ❖ *to recognize to the Statutory Auditors an annual fees of Euro 230,000.00 plus VAT and out-of-pocket expenses, with ISTAT inflation-indexing for years subsequent to the first and supervisory contribution with the possibility of adjusting these fees for any circumstances which may arise which lead to an increase in the estimated time, all of which as per the Auditing firm's proposal held in the Company's*



records and published on the website www.rdmgroup.com under the section Governance/Shareholders' Meetings;

- ❖ *to grant to the Chief Executive Officer all the widest powers in order that, including by means of procurators and in compliance with the terms and means of the law, give execution to this resolution and carry out all the formalities and steps required by the applicable provisions of laws and regulations”.*

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Reno De Medici S.p.A.

On behalf of the Board of Directors

The Chief Executive Officer

Michele Bianchi



Attachment 1

Recommendation of the Internal Control and Audit Committee of Reno De Medici S.p.A. for the appointment of the Statutory Auditors for the nine-year period 2021-2029

To the Shareholders' Meeting of Reno De Medici S.p.A.

Dear Shareholders,

With the approval of the financial statements for the year ended 31 December 2020, the Statutory Auditors assignment for the nine-year period 2012-2020 conferred by the Shareholders' Meeting of Reno De Medici S.p.A. of April 27, 2012 (hereinafter the “**Company**”) to Deloitte & Touche S.p.A. (hereinafter “**Deloitte**”) will expire. By virtue of the obligation of *cooling-off* under Article 17, paragraph 1 of Legislative Decree No. 39/2010, the appointment as Statutory Auditors may not be assigned again to the same company.

In May 2020, the Company has shared with the Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee (hereinafter the “**ICAC**”) the decision to start the selection process for a new Statutory Auditors for the nine-year period 2021-2029 in advance of the expiry of Deloitte's mandate, in order to submit the appointment of the new Statutory Auditors to the Shareholders' Meeting.

This decision was deemed appropriate in order to comply with the principle of independence of the Statutory Auditors. In fact, as the Company is an issuer of shares listed on the regulated market of Italian Stock Exchange, it is included in the category of public interest entities pursuant to Article 16, paragraph 1, letter a) of Legislative Decree No. 39/2010 (“**EIP**”) and it is therefore subject to the application of the provisions on statutory audit of accounts contained in EU Regulation No. 537/2014 (“**EIP Regulation**”). The early appointment of the Statutory Auditors, which is common practice among the main listed companies, enables a smoother handover between the outgoing Statutory Auditors and the new one and it complies with the time limits imposed to safeguard the independence of the Statutory Auditors (known as a ‘*cooling in period*’ pursuant to Article 5 of the aforementioned European Regulation).

As a result of the above, the meeting of the Board of Directors held on 4 November 2020 resolved to convene the Shareholders' Meeting for 14 December 2020, on first call, and for 15 December 2020 on second call, in order to proceed, with effect from the Shareholders' Meeting called to approve the financial statements as at 31.12.2020, to appoint the Company's new Statutory Auditors, to determine the relevant remuneration and to define the relevant adjustment criteria, on the motivated proposal of the Board of Statutory Auditors.



Accordingly, the Company's Board of Statutory Auditors, in its capacity as ICAC, has prepared this recommendation for the purposes prescribed by applicable legislation and following the appropriate selection procedure as summarised below, with the operational support of the Manager in charge of preparing the Company's accounting documents along with the responsible for the consolidated financial statements.

Regulatory framework

The appointment of the Statutory Auditors for EIPs is governed by Article 16 of EU Regulation No. 537/2014. On the basis of the Regulation, the Entity's Shareholders' Meeting resolves to appoint the new Statutory Auditors on the basis of a motivated recommendation from the ICAC. This recommendation is produced by the ICAC following a transparent and traceable "*selection procedure ordered by the audited entity*", under which the proposals made by possible candidates are assessed on the basis of "*transparent and non-discriminatory selection criteria*". By this recommendation, the ICAC offers "*at least two possible alternatives for the appointment*" and "*a duly justified preference for one of the two*". The ICAC, as established by European regulations, is "*responsible for the procedure*" for the selection of the Statutory Auditors.

Subject matter of the selection procedure

The subject of the selection procedure was defined on the basis of the specific needs of the Company, as an issuer of shares listed on the Italian Stock Exchange. In the procedure's subject matter were included also the audit of the financial statements of companies incorporated under Italian and foreign law subject to the control of the Company and listed in Annex 1 (Reno De Medici Group, hereinafter the "**RDM Group**"). The ICAC, in agreement with the Company, has considered that the assignment to a single entity of the Statutory Auditors mandate relating to the accounts of the entire RDM Group creates significant synergies in the performance of audit, results in an appreciable reduction in costs associated with the coordination of relations between the companies belonging to the RDM Group and it enables greater efficiency and quality in the performance of audit activities. The approach of a single Statutory Auditors also responds to the need to ensure greater homogeneity in the application of the rules on the independence of the Statutory Auditors that apply both to the Company and to its subsidiaries. If RDM Group companies grants a mandate for a different Statutory Auditors, it would be more difficult to guarantee and to monitor compliance with the independence requirements prescribed by applicable legislation. A single selection procedure also ensures greater process efficiency, including in terms of costs.



The selection process was launched in May 2020 and it was coordinated by the Company's Manager in charge of preparing the accounting documents, supported by the Company's internal administrative and legal structures. The Board of Statutory Auditors interacted permanently with the said working group, constantly monitoring the progress of the entire process aimed at identifying the new Statutory Auditors.

Based on the above considerations, the selection procedure involved the following services:

- Statutory audit of the consolidated financial statements of the RDM Group and the financial statements of Reno De Medici S.p.A. in accordance with the International Financial Reporting Standards (“IFRS”) adopted by the European Union for the years 2021-2029;
- Statutory audit of the annual financial statements of the subsidiaries of Reno De Medici S.p.A. in accordance with regulatory requirements and locally applicable accounting principles;
- Limited audit of the abbreviated half-yearly consolidated financial statements of the RDM Group for the periods from 1 January to 30 June of each year, in accordance with the IFRS adopted by the European Union and Italian legislation for the years 2021-2029;
- Audit of annual or interim reporting (in accordance with the IFRS) of Reno De Medici and its subsidiaries;
- Independent auditors’ report on the consolidated non-financial statement, pursuant to Articles 3 and 4 of Legislative Decree No. 254/2016;
- verifications in relation to the signing of tax returns of Reno De Medici S.p.A. and Italian subsidiaries subject to audit;
- verification of the proper keeping of accounts and the correct recording of operating events in the accounting records of Reno De Medici S.p.A. and its subsidiaries.

Without prejudice to the above, it should be noted that the Shareholders' Meeting of the Company will only be called upon to resolve on the appointment of the new Statutory Auditors of the Company. For the subsidiaries, the appointment of Statutory Auditors must be conferred by the competent bodies and, for the foreign subsidiaries, in compliance with local legal regulations.

Identification of entities invited to participate in the selection procedure

With regard to the identification of those to be involved in the selection procedure, Article 16 of Regulation No. 537/2014 provides that the issuer is “*free to invite any statutory auditor*” to submit proposals for the appointment, “*provided that the organisation of the tender does not in any way preclude participation in the selection procedure by companies that received, in the previous calendar year, less than 15% of their total fees for audit of public-interest entities in the Member State of reference*”. On the basis of the aforementioned regulatory provision, the ICAC, with the help of the competent Company structures, has carried out a thorough investigation aimed at identifying the Statutory Auditors to be invited to the selection procedure, having established the following requirements: (i) expertise and experience in the statutory audit of issuers with listed



shares on the regulated market of Italian Stock Exchange, (ii) the ability to ensure adequate coverage in all geographical areas of operation of the Group and (iii) specific knowledge of the market in which the Company and its subsidiaries operate, taking care to include companies other than the larger ones. Following the in-depth analyses carried out on the basis of the objective and non-discriminatory parameters mentioned above, BDO Italia S.p.A. (hereinafter “**BDO**”), EY S.p.A. (hereinafter “**EY**”), KPMG S.p.A (hereinafter “**KPMG**”), Mazars Italia S.p.A. (hereinafter “**Mazars**”), PricewaterhouseCoopers S.p.A. (hereinafter “**PWC**”) and Ria Grant Thornton S.P.A. (hereinafter “**RGT**”) was identified as potentially eligible to be invited to participate in the selection procedure.

Selection criteria for the evaluation of tenders

On the basis of Article 16 of Regulation No. 537/2014, proposals received in the context of a selection procedure must be assessed according to “*transparent and non-discriminatory selection criteria*”. Therefore, prior to the start of the selection process, the ICAC, in agreement with the Manager in charge of preparing the accounting documents, has defined transparent and objective selection criteria for the evaluation of the tenders, with the aim of ensuring a correct balance between the weight to be assigned to the technical and qualitative aspects of the proposals for appointment and that to be assigned to the economic aspects of same proposals. Particular attention was paid, during the selection process, to the search for the best quality standards of the statutory audit activity and to the guarantee that these standards are maintained throughout the audit period. Five indicators were identified for each of which weight was assigned, expressed as a percentage of the overall score attributable to candidates.

The indicators identified are shown below, the percentage weight attributed to each of them for the purposes of the selection procedure, as well as the maximum score attributable (on a 100 basis):

1. Qualitative indicators

- (i) *characteristics of the Statutory Auditors and quality of its network*: profile and structure of the Italian Statutory Auditors and its international network (weight 20%, maximum score of 20);
- (ii) *knowledge of the sector in which the Group operates*: main audit or professional assignments carried out for companies operating in similar sectors or within the same scope of operations as the RDM Group (weight of 20%, maximum score of 20);
- (iii) *proposed methodological approach*: information on the review process, useful for assessing the level of technicality, automation and strategy that guides it: the review strategy/plan and the methodology for preparing the plan, the process of analysing and identifying the audit risk (weight 20%, maximum score of 20);



- (iv) composition of the review team: information about the *team* assigned to the task, useful for assessing their level of professionalism, *seniority*, *relationship* and availability. Information on the presence of usable specialists within the Bidder. Quality of the relationship established between the management and the *team* proposed during the selection procedure, communication skills (15% weight, maximum score of 15);

2. Quantitative indicators

- (i) Charges: In this context, attention is paid to the breakdown of the total number of hours by professional category and areas of intervention, the economic relationship between the various roles, and average hourly cost. To this end, information was requested on the total cost of the revision, the number of planned hours and the qualitative-quantitative composition of *teams* and each type of professional figure provided for, with an explanation of the hourly cost (weight 25%, maximum score of 25).

Process of the selection procedure

It should be noted that during the individual stages of the selection process described below, the ICAC has constantly spoken with the Manager in charge of preparing accounting documents and the internal support structures in order to define the assessment methodology in advance, organise the activities and timescales and share their results. The selection process consisted of the following phases:

a) Sending of Bid Requests

On 22 June 2020, the Company sent BDO, EY, KPMG, Mazars, RGT and PWC a request of offer containing, *inter alia*, (i) information on the company granting the mandate, (ii) a list of the audit activities subject to the mandate, (iii) a list of necessary information to be included in the Audit Proposal for evaluation and (iv) an indication of the applicable selection criteria.

b) Meeting with invited statutory auditors

During July 2020, the Manager in charge of preparing the accounting documents and the other internal structures met with Statutory Auditors companies invited to the tender process and expressed an interest in meeting with the Company conferring the audit mandate, in order to provide them with all the additional information considered necessary by them for the preparation of the audit offers. In particular, they expressed interest and meetings were held with the following companies: Mazars, BDO, EY and PWC.



c) Receipt of Tender Offers

On 18 September 2020, within the deadline established by the Procedure, the Statutory Auditors companies invited to tender sent the Company the audit offers (the “**Bids**”) together with declarations attesting that they meet the independence requirements for the appointment. On the same date, KPMG announced that it was unable to participate in the tender.

d) Evaluation of the Bids and formation of the *short list*

The ICAC, the Manager in charge of preparing the accounting documents and other internal structures analysed the Bids received from the Statutory Auditors companies, by verifying their consistency with the criteria established in the selection procedure and included in the Tender Offer. Following an analysis of the Bids received, it was decided to limit the subsequent examination to the three Bids, which were more consistent with the qualitative and quantitative criteria indicated above. Accordingly, a *short list* consisting of the companies BDO, EY and PWC was drawn up.

e) Meeting with the audit companies included in the *short list*

In order to conduct a thorough assessment of competitors and their proposals, the ICAC, the Manager in charge of preparing the accounting documents and the other internal structures met each auditing company included in the *short list*. At these meetings, the ICAC was able, *inter alia*, to assess the communication and interaction skills of each proposed audit team and to clarify certain aspects of the offer received. In this context, the ICAC's attention focused in particular on verifying that the total number of working hours estimated by each candidate for the performance of the audit mandate, compared to the qualitative-quantitative composition of the proposed *teams*, is adequate with respect to the size and complexity of the mandate.

Assessment and results of the selection

The offers of the companies on the *shortlist* were analysed by the Board of Statutory Auditors and by the Manager in charge of preparing the accounting documents on the basis of the selection and assessment criteria contained in the selection procedure, as well as on the basis of further information acquired during the meeting. The Board also independently reviewed the documentation and assessments performed.

In particular, following the analysis of the offers received, it was decided to limit the subsequent examination to the two offers from the Statutory Auditors which demonstrated *inter alia*, greater experience with customers of a size and characteristics comparable to those of the RDM Group and greater dimensioning of the international network, thus excluding that of BDO.

The Board of Statutory Auditors and the Manager in charge of preparing the accounting documents then analysed the offers received from PWC and EY and discussed the related assessments.



The collected documentation, the meetings held and the analyses conducted revealed the high quality of the two offers received and the professionalism of the audit teams submitted.

The following table shows a summary of the main financial components on an annual basis in terms of cost and quantification of the dedicated hours of the two proposals, appropriately divided as follows:

Services object of the assignment	PwC		EY	
	Hours	Fees	Hours	Fees
Statutory audit of the consolidated Financial Statements of the RDM Group in compliance with International Financial Reporting Standards ("IFRS") adopted by the European Union, including the limited audit of the consolidated half-yearly financial report and the audit of the consolidated non-financial statement;	1,520	90,100	1,515	106,000
Statutory audit of the Parent Company's annual Financial Statements in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union, including periodic auditing services required by law;	2,350	139,900	1,635	114,000
TOTAL PROPOSAL RENO DE MEDICI S.P.A	3,870	230,000	3,150	220,000
Statutory audit of annual Financial Statements of the subsidiaries under Italian law in accordance with locally applicable accounting standards, including periodic auditing services required by law and the auditing of annual and interim reports prepared in accordance with IFRS;	790	40,000	825	46,000
Statutory audit of the annual Financial Statements of subsidiaries under foreign law in accordance with locally applicable accounting standards, including auditing of the annual and interim reports prepared in accordance with IFRS.	3,285	280,000	2,842	205,000
TOTAL PROPOSAL OTHERS COMPANIES OF THE GROUP	4,075	320,000	3,667	251,000
TOTAL RDM GROUP	7,945	550,000	6,817	471,000

With respect to the further aspects of the economic component of the PwC and EY offers, it is reported as follows:

Supervisory costs and contribution to CONSOB: In the case of PwC, the fees indicated above do not include VAT, out-of-pocket secretarial costs or the supervisory contribution to CONSOB, currently 9.90%, to be applied only to the annual fee relating to the parent company and the Italian subsidiaries subject to statutory audit, which shall be charged separately in an amount equal to what will actually be paid to CONSOB. The same conditions also apply to EY, with the exception of secretarial expenses that are included in the fees indicated above.

Fee adjustment criteria: in both offers, the fees will be adjusted annually every 1 July, starting from 1 July 2022, based on the total change in each local indicator relating to the cost of living compared to the previous year.



The results of the qualitative and quantitative assessments were approved by the Board of Statutory Auditors during its meetings of 27 October and 4 November 2020. The final ranking of the two offers based on the scores assigned to each is shown below:

1. PWC (overall score: 93/100);
2. EY (overall score: 87/100).

The main elements of the offer considered qualifying and justifying the higher score in favour of PWC were, in particular, as follows:

- the audit firm has significant experience in the sector of the RDM Group, particularly with regard to some of its direct competitors, as well as at the Group itself;
- the Audit Team has a high degree of knowledge of the operations of the RDM Group, mainly as a result of the audit activities carried out by certain members in the period prior to the current nine-year period and the mandate still in place for the audit of the French subsidiaries;
- the expectation of a high upstream hours with an appropriate professional mix;
- the average hourly rate applied overall.

ICAC Recommendation

Given the above, in relation to the appointment of the Statutory Auditors of Reno De Medici S.p.A. for the nine-year period 2021-2029, on the basis of the selection procedure, the offers received, the assessments made and the results thereof, considering that Article 16 of Regulation (EU) No. 537/2014 provides that the motivated proposal to the Shareholders' Meeting must contain at least two possible alternatives for the conferment and it requires the expression of a duly justified preference for one of them,

RECOMMENDS

to the Shareholders' Meeting of Reno De Medici S.p.A., pursuant to Article 16, paragraph 2, of European Regulation No. 537/2014 and Articles 13 and 17 of Legislative Decree No. 39/2010, to appoint as Statutory Auditors of Reno De Medici S.p.A. for the nine-year period 2021-2029 one of the following companies: PricewaterhouseCoopers S.p.A. or EY S.p.A., the main economic components of which were summarised above;



EXPRESSES ITS PREFERENCE

unanimously for PricewaterhouseCoopers S.p.A., as the company received a higher score following the selection procedure and, as such, is considered more suitable for the performance of the Statutory Auditors.

DECLARES

in accordance with Article 16, paragraph 2 of Regulation (EU) No. 537/2014, that this recommendation has not been influenced by third parties and that none of the type clauses referred to in paragraph 6 of the aforementioned Article 16 of the Regulation have been applied.



Dear Shareholders,

you are therefore invited to approve the proposal to grant PricewaterhouseCoopers S.p.A. the mandate for the provision of "Statutory Auditors services" as defined above in favour of Reno De Medici S.p.A. for the years 2021-2029, according to the contents, terms, including the criteria for adjustment of fees, and the methods proposed by the Board of Statutory Auditors, for an annual fee (net of ISTAT increases, out-of-pocket expenses, VAT and supervisory contribution) of Euro 230,000.00 for a total of 3,870 hours of work, composed as follows:

- Statutory audit of financial statements and periodic check of the regular keeping of accounts, including activities for the signing of tax returns, Euro 139,900.00 corresponding to 2,350 hours of work;
- Statutory audit of the consolidated financial statements, Euro 40,600.00 corresponding to 650 hours of work;
- Limited audit of the condensed consolidated half-year financial report, Euro 24,500.00 corresponding to 410 hours of work;
- Audit of the Consolidated Non-Financial Statement, Euro 25,000.00 corresponding to 460 hours of work.

If the proposal does not reach the votes required for its approval, a proposal to confer the same mandate to EY S.p.A. for annual fees (net of ISTAT increases due to inflation, out-of-pocket expenses, VAT and supervisory contribution) of Euro 220,000.00, corresponding to 3,150 hours of work, will be put to the vote.

Milan, 9 November 2020

Board of Statutory Auditors

Signed Giancarlo Russo Corvace (Chairman)

Signed Giovanni Maria Conti

Signed Tiziana Masolini



Annex 1 to the Recommendation

**Companies incorporated under Italian
and foreign law subject to the control of
Reno De Medici S.p.A. pursuant to
Article 93 of the TUF**

R.D.M. Ovaro S.p.A.

R.D.M. Magenta S.r.l.

PAC Service S.p.A.

R.D.M. Arnsberg H

RDM Blendecques S.A.S.

R.D.M. La Rochette S.A.S.

RDM Barcelona Cartonboard S.A.U.

Papelera del Principado S.A. “Paprintsa” (*)

Ondupacart S.A. (*)

Cogeneració del Pla S.A. (*)

Fergerdell S.L. (*)

(*) A Spanish company subject to a preliminary purchase contract by the RDM Group. The closing of the transaction is expected by the first quarter of 2021 and therefore the ICAC and the Manager on charge of preparing the accounting documents considered appropriate to include the list of the said companies in the economic proposal of the auditing companies participating in the tender.