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Internal Control & Risk Management System: guidelines

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1. INTRODUCTION

The Internal Control and Risk Management System ("ICRMS") is an essential element of the corporate governance system of Esprinet S.p.A. ("Company") and of its subsidiaries and/or associates (collectively the "Group").

It is defined as a set of rules, behaviours, policies, procedures and organisational structures that aim to enable the main operational risks to be identified, measured, managed and monitored thereby helping to safeguard the Company's assets, the efficiency and effectiveness of company processes, the reliability of financial information and sustainability reporting, compliance with laws and regulations and with the articles of association and internal procedures.

This system is integrated into the more general organisational, administrative and corporate governance structures adopted by the Group and takes into consideration the reference models and best practices existing nationally and internationally. The degree to which the system is integrated, more specifically, is measured by the degree of homogeneity, interdependence and integration of its various players and members.

The Company combines the control activities and procedures which are compulsory as a result of legislative interventions or interventions on the part of supervisory authorities with those adopted through management policy choices, where necessary expanding their scope of application where deemed necessary.

Therefore, in the integrated system, an important role is offered by organisation and control systems developed in accordance with the provisions of Legislative Decree 231/01 (administrative liability of bodies), including the control system in relation to occupational health and safety pursuant to Legislative Decree 81/08, of Law 262/05 on the protection of savings (introduction of the role of Financial Reporting Officer), of the Italian Data Protection Act as well as in relation to established organisational models for control in specific areas such as "quality".

By pursuing the goal of an effective and cost-efficient ICRMS as a whole, a procedure is required which enables risks to be identified and assessed as well as a synergic approach to the design of controls in the various areas of application within the Company.

The ICRMS minimises the impact of these risks on the Company's activities and provides reasonable (albeit not absolute) reassurance that the Company and the Group as a whole is not hampered, in the achievement of its operational goals or in the orderly and lawful conduct of its business, by circumstances or factors which may be reasonably foreseen, while recognising that no control process can provide absolute protection from the risks inherent in business activities or from the possibility that fraudulent breaches of laws and regulations or Company procedures, human errors or extraordinary events may cause harm.

The ICRMS, defined on the basis of the best national and international practice, is built on the following three levels of control:

- level 1: operational units identify and assess risks and define specific actions to deal with and manage these;
- level 2: units responsible for risk control define methods and tools for managing risks and carry out risk monitoring activities;
- level 3: the Internal Audit unit provides independent assessments on the entire ICRMS.

2. COORDINATION AMONG THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Internal Control and Risk Management System involves, each for their respective competencies, the Board of Directors, the Chief Executive Officer, the Control and Risk Committee, the Board of Statutory Auditors, the Internal Audit Manager, the Supervisory Board established pursuant to Legislative Decree June 8, 2001, no. 231, the Financial Reporting Officer and Risk Manager, and provides - also in line with the recommendations of the Code of Corporate Governance - ways of coordination between these individuals, in relation to roles and competencies on the subject of the Internal Control and Risk Management System, in order to maximize the overall efficiency of the SCIGR, while respecting their respective roles and responsibilities, and reduce duplication of activities. The Board of Statutory Auditors and the Audit and Risk Committee shall promptly exchange information to the performance of their respective duties. The Chairman of the Board of Statutory Auditors, or another member designated by him, participates in the work of the Audit and Risk Committee.

The Chairman of the Board of Statutory Auditors, or another Statutory Auditor designated by him, also attends meetings of the Appointments and Remuneration Committee and the Related Party Transactions Committee. In any case, all members of the Board of Statutory Auditors may attend the meetings of the aforementioned Committees.

In order to ensure proper coordination among the parties involved in the SCIGR, the Company puts in place:

- appropriate and continuous information flows among parties involved in the SCIGR,
- meetings to manage specific events or situations, necessary to ensure timeliness in controlling risk exposures and detecting operational anomalies,
- periodic meetings to communicate the status of the risk management system and plan verification activities.

The 3 levels of control, in accordance with their roles and responsibilities, communicate and collaborate with the aim of maximizing the effectiveness and efficiency of control systems and sustainable value creation throughout the value chain.

3. TASKS RELATING TO THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

3.1 Bodies and individuals in the Internal Control and Risk Management System

The following table gives a brief summary of the bodies and individuals that play a role in the ICRMS and identifies that role and the main functions performed by each of the players:

BODY	ROLE IN THE INTERNAL CONTROL SYSTEM				
	ASSESSMENT	SUPERVISION	SYSTEM DESIGN	SYSTEM IMPLEMENTATION AND MANAGEMENT	PERFORMANCE OF CONTROLS
Board of Directors	√		√	√	
Board of Statutory Auditors	√				
Supervisory Board Legislative Decree 231/01	√		√	√	√
Control and Risk Committee	√				
Chief Executive Officer		√	√	√	
Risk Manager – Level 2*	√	√		√	
Risk Committee – Level 2*		√			
Financial Reporting Officer (Law 262/05) – Level 2*	√			√	√
Head of Prevention and Protection Service – Level 2*	√			√	√
Data Protection Officer – Level 2*		√		√	√
Tax Risk Officer – Level 2*	√	√		√	√
Head of Internal Audit – Level 3*		√			
Internal Audit – Level 3*					√
Operational managers (Chief Operating Officer, management)- Level 1*					√

3.2 Role and responsibilities of the Board of Directors

The Board of Directors, in its capacity as strategic supervisory body, has final responsibility for the ICRMS and periodically checks its suitability and efficiency while also promoting a culture that promotes control functions at all levels of the Company.

In particular, the Board of Directors, with the support of the Control and Risk Committee ("CRC"):

- defines these guidelines in order to ensure that the main risks are correctly identified and appropriately measured, managed and monitored and, in the final analysis, checks that the risks assumed are compatible with the company objectives set;
- periodically assesses, at least once a year, the adequacy and effectiveness of the ICRMS having regard to the characteristics of the company and to the risk profile assumed;
- approves, at least once a year, the work plan prepared by the Head of the Internal Audit unit, having consulted with the Board of Statutory Auditors and the Chief Executive Officer ("CEO");
- describes, in the corporate governance report, the essential components of the ICRMS and expresses its opinion on the adequacy of the latter;

- e) approves the Organisation, Management and Control Model pursuant to Legislative Decree 231/01;
- f) assesses, following consultation with the Board of Statutory Auditors, the results described by the independent auditors or by the independent audit firm in the letter of suggestions and in the report on fundamental issues emerging during auditing, including the results presented for the purpose of sustainability reporting attestation.

In order to carry out correctly the tasks assigned to it, the Board obtains support from specific appointed bodies.

Therefore, the Board of Directors:

- sets up the CRC and grants the latter powers to advise and make proposals in relation to the ICRMS and appoints its members;
- having consulted with the CRC and with the Board of Statutory Auditors:
 - (i) appoints and dismisses the Head of the Internal Audit Unit and organises his activities, ensuring that he is given appropriate resources for performing his responsibilities, and defines his remuneration in line with company policies;
 - (ii) appoints the Supervisory Board pursuant to Legislative Decree 231/01.

The BoD conducts a self-assessment of the size, composition, and actual functioning of its own and internal committees every three years, and in the event of its renewal.

3.3 Role and responsibilities of the Chief Executive Officer

The Chief Executive Officer ("CEO") performs the role of Director in charge of the internal control and risk management system.

The CEO is responsible for implementing these guidelines for the ICRMS with the support of the CRC and for ensuring that all necessary actions to create the system are adopted.

In particular, the Chief Executive Officer carries out the following tasks:

- a) identifies and monitors the trend of the main risks faced by the Company, taking into account the activities performed within the group and submitting these periodically to the Board of Directors for evaluation;
- b) implements the guidelines for the ICRMS defined by the Board of Directors and oversees the design, implementation and management of the ICRMS, while constantly checking its suitability and effectiveness, as well as adapting it to the dynamics of the operating conditions and the legislative and regulatory landscape;
- c) can ask the Internal Audit unit to carry out checks on specific operational areas and on compliance with internal rules and procedures in the performance of company operations and reports at the same time to the Chairman of the Board of Directors, the Chairman of the CRC and the Chairman of the Board of Statutory Auditors;
- d) reports in a timely manner to the CRC about problems and critical issues emerging in the performance of its activity or which it has learned about, so that the CRC can take the appropriate steps;
- e) proposes to the Board of Directors, after hearing the opinion of the CRC, the appointment, dismissal and remuneration of the Head of Internal Audit.

3.4 Role and responsibilities of the Head of Internal Audit

The Head of Internal Audit, who is not responsible for any operational area and reports to the Board of Directors and is part of the Chief Executive Officer's staff, has the following responsibilities:

- a) checks, both on an ongoing basis and in relation to specific requirements and in line with international standards, that the ICRMS is operational and suitable, using an Audit Plan approved by the Board of Directors and based on a structured process of analysis and prioritisation of the main risks;
- b) prepares periodic reports containing appropriate information about his activities, the ways in which risk management is conducted and observance of the plans defined to contain such risks; these reports contain an assessment of the suitability of the internal control and risk management system;
- c) prepares timely reports about events of particular importance;
- d) sends the reports referred to in points b) and c) to the Chairmen of the Board of Statutory Auditors, CRC and Board of Directors as well as to the CEO;
- e) checks, as part of the Audit Plan approved by the Board of Directors, the reliability of the information systems including the accounting systems.

In addition, with the support of the Risk Manager, the RIA evaluates and monitors risks associated to the sustainability reporting process, e.g., risks related to: completeness/integrity of data; accuracy of estimation results; availability of upstream and/or downstream value chain data; timing with which information is made available.

As part of his duties and responsibilities, the Head of Internal Audit has direct access to all useful information for carrying out his task.

In particular, the Head of Internal Audit operates via an organised structure dedicated to Internal Audit which also supports the CEO in carrying out checks on specific operational areas and on compliance with internal procedures and rules in the conduct of management operations.

As part of the control activities to be carried out under the supervision of the Head of Internal Audit, the Internal Audit unit prepares both an annual plan of checks ("Audit Plan") to be examined by the CRC and to be approved by the Board of Directors, and, at least once every six months, a report to be submitted to the Board of Directors, the CRC and the Board of Statutory Auditors.

On the instruction of the FRO, to whom it is functionally accountable with respect to this kind of activity, the Internal Audit unit can carry out checks on the system of administrative/accounting control provided for in Law 262/05.

Furthermore, on the instruction of the Supervisory Board, the Internal Audit unit may carry out checks on the system of controls provided for in the Organisation, Management and Control Model pursuant to Legislative Decree 231/01.

3.5 Role and responsibilities of the Risk Manager

The responsibilities of the Risk Manager are as follows:

- a) implement, develop and keep constantly updated a system aimed at identifying, assessing, managing and monitoring risks upon the typical principles of ERM;
- b) support the unit manager ("risk owner") in the assessment and management of the risks controlled;
- c) cooperate with the risk owner in developing processes and procedure aiming at mitigating risks in each corresponding area;
- d) promote the risk culture within the company.

The Risk Manager is responsible for presiding over the process of the company risk management through the ERM, proposing, if necessary, to the ICRMS agents any further activities to adjust the internal control system. The Risk Manager revises the risk matrix and also the corresponding management and monitoring system (ERM) at least once per year and presents the results to the CEO, to the Risk Committee and to the Head of Internal Audit.

Twice per year, he also informs the CEO, the Control and Risk Committee, the Statutory Auditor and the Supervisory Board about the risk control activity.

3.6 Role and responsibilities of the Risks Committee

The Risks Committee, made up of the CEO, Head of Internal Audit, Risk Manager, Chief Operating Officer and Group Administrative Manager, has the duty to support the CEO in carrying out the institutional duty of identifying the main company risks, especially those emerging as a result of entering into new areas of activity and/or business or connected with changes in general and sectoral legislation.

Therefore, the Risks Committee supports the CEO, while bearing in mind that this individual does not devote the whole of his time to the duties carried out in connection with the ICRMS, in updating and maintaining the map of main company risks defined at the start of each tax years and approved by the Board of Directors. It helps the company bodies in the process of identifying new risk areas and supplies, where possible or recommended on the grounds of particular urgency, an initial indication about the actions to be carried out in order to introduce or streamline and/or improve the controls aimed at mitigating the risks identified.

3.7 Role and responsibilities of the Internal Control and Risk Committee

As far as the ICRMS is concerned, the Control and Risk Committee ("CRC") is responsible for supporting the Board of Directors' decisions and assessments by carrying out appropriate investigative activities, so that the main risks faced by the Company and by the Group are correctly identified and adequately measured, managed and monitored, and, for relevant matters, assists the Board of Directors in decisions concerning the approval of periodic financial reports.

In this area, the Committee has the following tasks in particular.

- a) supporting the Board with carrying out the tasks entrusted to the latter regarding internal control and risk management by the Corporate Governance Code of Listed Companies relating to:
 - i. definition of the guidelines for the internal control and risk management system in accordance with the company's strategies;
 - ii. ascertaining that the main risks faced by the Company are adequately identified and managed;
 - iii. appointment and revocation of the Head of Internal Audit, ensuring that he/she has sufficient resources to carry out his/her duties, and on those relating to remuneration, in consistently with company policies;
 - iv. approval, at least once a year, of the work plan prepared by the Head of Internal Audit, having consulted the Board of Statutory Auditors and the CEO;
 - v. assessment of the opportunity to adopt measures to ensure the effectiveness and impartiality of judgment of the other corporate functions involved in the controls (such as the risk management, legal risk oversight and compliance functions);
 - vi. attribution to the Supervisory Board of the supervisory functions pursuant to Article 6, paragraph 1, letter b) of Italian Legislative Decree no. 231/2001;
 - vii. evaluating, after consultation with the Board of Statutory Auditors, the results described by the independent auditor in any letter of suggestions and in the report on the fundamental issues emerging during auditing;
 - viii. describing, in the corporate governance report, the main characteristics of the internal control and risk management system and expressing its opinion on the overall adequacy of the latter.
- b) Assessing, having consulted the Financial Reporting Officer, the independent auditor and the Board of Statutory Auditors, the correct use of the accounting standards and their consistency for the purposes of preparing the consolidated financial statements and the proper use of applicable standards for sustainability reporting purposes;
- c) evaluating the suitability of periodic financial and sustainability information in correctly representing the business model, the company's strategies, the impact of its activities and the performances achieved;

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- d) examining the content of sustainability information for the purposes of the internal control and risk management system;
- e) expressing opinions on the specific aspects regarding identification of the main corporate risks and supporting the assessments and the decisions of the Board relating to management of the risks deriving from prejudicial events which the latter has gained knowledge of;
- f) reviewing the periodic reports on the assessment of the internal control and risk management system and those of particular importance which are prepared by the Internal Audit department;
- g) monitoring the independence, adequacy, effectiveness and efficiency of the Internal Audit department;
- h) asking the Internal Audit department to carry out checks in specific operational areas and to report, at the same time, to the Chairperson of the Board of Statutory Auditors;
- i) performing any additional duties that are assigned to it by the Board;
- j) reporting to the Board of Directors, at least upon the approval of the annual and half-yearly financial report, on the activities conducted and the adequacy of the internal control and risk management system with respect to the characteristics of the business and the risk profile assumed, as well as on its effectiveness;
- k) assessing the findings that come to light from the Supervisory Board's reports pursuant to Italian Legislative Decree no. 231/2001 and from the surveys and examinations carried out by third parties;

With regard to the organisation and management models provided for under Legislative Decree 231/2001, the CRC follows closely the respective maintenance and update activities by acquiring sensitive information.

Finally, the CRC, with reference to the Procedure for Related Party Transactions approved by the Board of Directors on 26 November 2010, and most recently updated on 30 June 2021, in accordance with the CONSOB Regulation containing provisions about related party transactions, adopted under resolution no. 17221 of 12 March 2010 and subsequent amendments, having met the requirements in terms of composition, carried out the tasks of committee appointed to carry out the following activities:

- i. with respect to "less important" transactions, without prejudice to the decision-making structure adopted by the Company through the granting of delegations and powers and, previously, the approval of transactions, express a reasoned non-binding opinion on the Company's interest in carrying out the transaction and on the appropriateness and substantial correctness of the respective conditions;
- ii. with respect to "more important" transactions, participate in the negotiation and investigation of those transactions, through receiving complete and timely information flows and to express, for the benefit of the Board of Directors, a prior favourable reasoned opinion on the Company's interest in carrying out the transaction and on the appropriateness and substantial correctness of the respective conditions.

The Chairman of the Board of Statutory Auditors (or another auditor he may designate) or other auditors may participate in the works of the CRC.

3.8 Role and responsibility of the Supervisory Board pursuant to Legislative Decree 231/01

The ICRMS is supplemented, with respect to the part concerning preventing the risk of administrative offences being committed and, therefore, with respect to compliance, by the Ethical Code and by the "Organisation, Management and Control Model" pursuant to Legislative Decree 231/01 ("Model").

The Board of Directors appoints a Supervisory Board with the task of monitoring:

- a) compliance with the stipulations of the Model, in relation to the various kinds of offence covered by Legislative Decree 231/01 and by subsequent laws that have extended the scope of application of that decree;
- b) the effectiveness of the Model with respect to the company structure and to its actual ability to prevent offences from being committed;
- c) the advisability of updating the Model, where there is a need to adapt the latter to changes in the Company's circumstances and/or legislative changes.

In order to carry out its functions, the Board of Directors grants the Supervisory Board the following powers:

- to check the efficiency and effectiveness of the Model including in terms of conformity between the actual operational arrangements adopted and the procedures formally specified by the Model;
- to check that the requirements of effectiveness and efficiency of the Model continue to be fulfilled over the course of time;
- to encourage the updating of the Model, by putting forward proposals to the Chairman of the Board of Directors, where necessary, with respect to possible updates and alterations to be made in the form of amendments and/or additions which become necessary as a result of significant breaches of the provisions of the Model, significant changes in the organisational structure of the Company and/or in the ways in which the Company's activities are carried out or legislative changes;
- to report promptly to the Chairman of the Board of Directors any established breaches of the Model which may cause liability to arise for the Company, so that appropriate action can be taken;
- to promote and define initiatives for the distribution of the Model and for staff training and raising staff awareness about compliance with the principles contained in the Model;
- to promote and devise communication and training initiatives with respect to the content of Legislative Decree 231/01, to the effect of the legislation on the Company's activities and to behavioural standards;
- to provide clarifications about the meaning and application of the provisions contained in the Model;
- to promote the implementation of an effective internal communication channel to enable the sending of news relevant to Legislative Decree 231/2001, ensuring the protection and confidentiality of the reporter;
- to put forward and submit for the approval of the Chairman of the Board of Directors an estimate of the expenditure necessary to carry out correctly the tasks assigned;
- to gain unrestricted access to any unit of the Company – without the need for any prior consent – in order to request information, documentation and data considered necessary to carry out the tasks laid down in Legislative Decree 231/01;
- to request significant information from partners, advisors and external partners, regardless of what they are called;
- to encourage the imposition of any disciplinary measures resulting from established breaches of this Model.

The Supervisory Board prepares an annual plan of the activities that it intends to carry out, including the schedule of checks on the operating protocols adopted, which is forwarded to the Board of Directors for information.

The Supervisory Board continually notifies the results of its activities to the Chairman of the Board of Directors and to the Chief Executive Officer.

In addition, every six months, the Supervisory Board prepares an activity report and provides the Board of Directors and the Board of Statutory Auditors with a detailed description of the activities performed.

If invited, the Chairman of the Supervisory Board or, if he is unable, another member of the Supervisory Board indicated by the latter, may take part in meetings of the Board of Statutory Auditors and of the CRC.

3.9 Role and responsibility of the Financial Reporting Officer

The Financial Reporting Officer ("FRO") is, pursuant to the provisions of Law 262/05, responsible for the administrative/accounting control system.

In particular, the Financial Reporting Officer must:

- a) certify, by means of a written declaration, that the Company's financial reporting documents and communications released to the market, including interim reports, tally with documentary evidence and accounting books and records;
- b) establish appropriate administrative and accounting procedures for drawing up the individual and consolidated financial statements, or suggest amendments to the existing procedures, as well as any other financial disclosures;
- c) certify, jointly with the Chief Executive Officer, by means of a report attached to the individual financial statements, semi-annual report and consolidated financial statements:
 - i) the adequacy, based on the Company's characteristics, of the administrative/accounting procedures and the effective application of those procedures over the period in question;
 - ii) correspondence between the documents to which the certification relates and the accounting books and records and their ability to give a true and fair view of the economic and financial situation of the Company and of all of the Group companies included within the scope of consolidation.

The checks carried out by the FRO consist in analysing the internal flows relevant for accounting purposes and evaluating the correct operation of the system of administrative/accounting controls, in examining and approving the company procedures that have an impact on the individual and consolidated financial statements and on the documents to be certified and in analysing, through appropriate technical support, the role played by the company's information systems in ensuring that procedures and controls are adequate.

The FRO reports to the Board of Directors on the state of the system of internal controls over financial reporting at the time of approval of the financial statements and the half-yearly financial report.

Pursuant to paragraph 5-ter of Article 154-bis of the TUF, the FRO certifies that the Sustainability Reporting included in the management report has been formulated in accordance with the reporting standards applied.

3.10 Role and responsibilities of the Head of Prevention and Protection Service

The Head of the Prevention and Protection Service, a figure provided by Legislative Decree 81/2008, provides:

- a) identification of risk factors, risk assessment and identification of measures for the safety and health of the workplace, in compliance with current legislation based on the specific knowledge of the company organization;
- b) to elaborate, to the extent of its competence, the preventive and protective measures and the control system measures;
- c) to developed processes, procedures, criteria and methods to obtain the best possible risk management for the various company activities;
- d) to propose employee information and training programs;
- e) to participate in consultations on the protection of health and safety at work, as well as in the periodic meeting referred to Article 35 of Legislative Decree 81/2008.

3.11 Role and responsibilities of the Data Protection Officer

The Data Protection Officer ("DPO") is responsible for carrying out, in full autonomy and independence, the following tasks and functions:

- a) inform and provide advice to companies in the Esprinet Group and to employees processing personal data regarding the obligations deriving from the GDPR Regulation and other national or EU data protection provisions;
- b) monitor compliance with the GDPR Regulation, other national or EU provisions concerning data protection and the policies adopted by the companies of the Esprinet Group regarding the protection of personal data, including the attribution of responsibilities, awareness and training of personnel involved in the processing and related control activities;
- c) provide an opinion on any impact assessments that may have been prepared and monitor their performance pursuant to Article 35 of the GDPR Regulation;
- d) cooperate with the Personal Data Protection Authority;
- e) act as a point of contact with the Personal Data Protection Authority for matters relating to processing of personal data, including prior consultation as referred to in Article 36, and, where appropriate, consultations on any other matter;
- f) keep the register of processing activities under the responsibility of the controller and follow the instructions given.

The duties of the Data Protection Officer concern all data processing by the companies of the Esprinet Group.

3.12 Role and responsibilities of the Tax Risk Officer

The Tax Risk Officer, who reports directly to the Risk Manager, is responsible for performing the following tasks:

- a) ensures the definition, updating and disclosure of documents forming the internal regulatory system related to the Tax Control Framework ("TCF");
- b) monitors, in coordination with the Administration Department and other relevant functions, tax regulations and the evolution of legal requirements in the TCF area, in order to ensure that the Risk and Control Matrix is updated;
- c) ensures, in collaboration with process risk owners, the activities related to identification and measuring of tax risks and the identification of relevant controls to oversee such risks;
- d) collaborates in the definition of the internal controls system and of the procedures aimed at the prevention of tax risks;
- e) ensures the periodic update of the Risk and Control Matrix;
- f) prepares the monitoring plan for second-level controls;
- g) ensures the performance of monitoring activities ("Test of design" and "Test of effectiveness") of controls to oversee tax risks;
- h) ensures support to process risk owners in identifying and supervising action plans put in place to remedy any deficiencies revealed during monitoring activities;
- i) ensures coordination of the relevant information flows with other departments or functions involved in the process;
- j) ensures the preparation of the reporting required by the Tax Risk Management process to risk owners (operational functions), other control functions, the CRC, and the BoD;
- k) takes care, in liaison with the other corporate functions responsible for training, of adequate training in the area of tax legislations in order to improve awareness in the functions involved on the related tax risks, as well as continuous updating of employees in relation to the TCF;
- l) prepares, at least once a year, the report – provided by Article 4, paragraph 2, of Legislative Decree No. 128 of August 5, 2015 concerning the aspects under its responsibility;
- m) supports the Head of Administration Function in the discussions with the Italian Revenue Agency on matters relating to the TCF;
- n) coordinates with the other internal control functions for the acquisition of the results of the audits carried out within the internal control system;

- o) maintains relationships and constantly participates to the dialogue with the Italian Revenue Agency for aspects related to the TCF also with the support of the Head of the Administration Function both in the phases following the submission of the application to join the Collaborative Compliance regime pursuant to Legislative Decree 128/2015, and in the subsequent phase of admission to the regime.

3.13 Role and responsibilities of the Board of Statutory Auditors

The Board of Statutory Auditors carries out the typical supervisory activities laid down by national law to establish conformity with the law and with the articles of association and compliance with the principles of correct administration.

The Board of Statutory Auditors also monitors:

- a) the adequacy of the Company's organisational structure with respect to the relevant aspects, of the internal control system and of the administrative/accounting system and the reliability of the latter in giving a true and fair view of management events;
- b) the means of concretely implementing the rules of corporate governance laid down by codes of conduct drawn up by companies managing regulated markets or by trade associations which the Company has publicly declared that it has incorporated;
- c) the adequacy of the instructions given by the Company to its subsidiaries.

In carrying out its activities, the Board of Statutory Auditors may ask the Internal Audit unit to carry out checks on specific areas of operation or transactions of the Company. The Board of Statutory Auditors exchanges, in a timely manner with the CRC, important information on carrying out the respective duties and functions.

As the Committee for Internal Control and Auditing ("CICA"), as established by Art. 19 of Legislative Decree 39/2010, the Board of Statutory Auditors monitors:

- a) the financial reporting process;
- b) the effectiveness of the internal control, internal audit and, where applicable, risk management systems;
- c) the statutory auditing of annual account and consolidated accounts;
- d) the independence of the independent auditor or independent audit firm, in particular with regard to the provision of non-audit services to the body entrusted with the auditing of the accounts.

The independent auditor or the independent audit firm presents a report to the CICA on the fundamental issues emerging during the audit and on the major shortcomings found in the system of internal controls with respect to the financial reporting process. They must also confirm annually to the CICA their independence and any non-audit services supplied to the Group's companies and periodically discuss the risks relating to their independence as well as the measures adopted to limit or neutralise these. The Board of Statutory Auditors observes the general conformity of the form and content of the financial statements with the law, the correct adoption of current accounting principles and the correspondence of the financial statements with the facts and information which have come to the attention of the Board of Statutory Auditors by virtue of its participation in the meetings of the corporate bodies and of the exercise of its supervisory duties and inspection and control powers.

The Board of Statutory Auditors expresses an opinion to the Shareholders' Meeting on the appointment and dismissal of the independent auditors. The Board of Statutory Auditors assesses not only the independence of the independent auditors but also their technical suitability in relation to the latter's organisation in terms of the breadth and complexity of the duties. In expressing the aforementioned opinion, the Board of Statutory Auditors takes into account the remuneration owed

to the Independent Auditors for the audit plan submitted.

Pursuant to Article 10, paragraph 1 of Legislative Decree 125/2024, the Board of Statutory Auditors monitors compliance with the sustainability provisions and reports in its annual report to the Shareholders' Meeting. Within this framework, the Board of Statutory Auditors:

- verifies that the BoD evaluates the adequacy of the organizational structure of the Company to the requirements introduced by the sustainability regulations and, if necessary, makes consequent improvements;
- supervises the sustainability reporting formation process

To this purpose, the BoS meets with the auditing firm in charge of certifying the sustainability reporting for an "exchange of information" on the planning of the related activities, the level of extension of controls to Group companies, the internal control system and the controls carried out in view of the issuance of the assurance, also in relation to the presence in the reporting of all mandatory information. The Board of Statutory Auditors may also delve into how the activities that must be carried out by the Manager in charge to ensure the quality of the data included in sustainability reporting have been implemented. Finally, the Board of Statutory Auditors monitors compliance with the reporting disclosure requirements introduced by Article 6 of Legislative Decree 125/2024.

3.14 Role and responsibilities of management and employees

The Group's management and employees, each according to the respective responsibilities and tasks assigned within the Company's organisation, must help to ensure that the ICRMS operates effectively insofar as it is part of their responsibility to enable the Company to achieve its goals. Any shortcomings observed must be reported to the line manager.

They must therefore have the necessary knowledge, preparation and capacity to act and operate as part of the ICRMS and they must be able to carry out the tasks inherent in their role and to fulfil their responsibilities. Each individual employee therefore has the right and duty to have full knowledge and understanding of the Company and of the Group, of the latter's operating mechanisms, goals, markets in which it operates and the risks to which it is exposed on a daily basis.

4. GENERAL GUIDING PRINCIPLES AND CRITERIA FOR IDENTIFYING THE MAIN RISKS FACED BY THE COMPANY

- 4.1** The ICRMS consists of the set of rules, behaviours, policies, procedures and organisational structures which, taken together, enable the Company and the Group to:
- a) improve the efficiency and effectiveness of management operations, allowing an appropriate response to operational, financial, legal, social, environmental, governance or other risks which may obstruct the achievement of the Company's goals;
 - b) ensure the quality of the internal and external reporting system, through the use of an appropriate recording system and processes that generate a flow of significant and reliable information within and outside the company organisation;
 - c) facilitate compliance with rules and regulations as well as internal procedures;
 - d) allow an adequate degree of protection for company assets from inappropriate or fraudulent use which may ultimately cause financial losses.
- 4.2** Controls involve, in different roles and according to their respective responsibilities, the Board of Directors, the Chief Executive Officer, the CRC, the Head of Internal Audit, the Risk Manager, the Risks Committee, the Internal Audit unit, the FRO, the Supervisory Board, the management and supervisory bodies of subsidiary companies and all staff.
Besides the rules in questions, the latter must comply with the instructions and principles contained in these Guidelines.
- 4.3** The ICRMS, while recognising that no control process can provide absolute protection from the risks inherent in business activities or from the possibility that fraudulent breaches of laws and regulations or Company procedures, human errors or extraordinary events may cause harm to the Company or to the Group, must:
- guarantee the necessary separation between operational and supervisory functions and must therefore be structured in order to avoid or minimise conflict of interest situations in terms of the allocation of the respective responsibilities;
 - facilitate the identification, measuring, management and adequate monitoring of the risks assumed;
 - establish control activities at each operational level and clearly identify tasks and responsibilities, with particular regard to supervision and intervention and correction of any irregularities observed;
 - ensure reliable information systems and suitable reporting processes at the various levels to which control functions are assigned;
 - guarantee that the anomalies found are reported in a timely manner to appropriate levels of the Company;
 - enable the recording of each management event and, in particular, each operation with an appropriate degree of detail.
- 4.4** The ICRMS is subject to periodic examination and checking, taking into account changes in company operations and in the relevant context.
- 4.5** The ICRMS must enable the various types of risk to which the Company and the Group are exposed over time (strategic, operational, financial, compliance, social, environmental, governance) to be tackled in a reasonably timely manner.
- 4.6** The ICRMS must enable the Company's and the Group's degree of exposure to the various risk factors to be identified, measured and controlled and must manage the overall exposure according to pre-defined risk scoring methodologies.

- 4.7** The ICRMS must indicate, *inter alia*, suitable procedures to highlight anomalous situations that may constitute indicators of the inefficiency of the risk measuring and control systems.
- 4.8** In line with the general guiding principles of the ICRMS, the following remain unaffected:
- the provisions set out in the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001;
 - the set of administrative and accounting rules and procedures for the preparation of accounting documents and other economic and financial disclosures prepared by the FRO as required by law.