



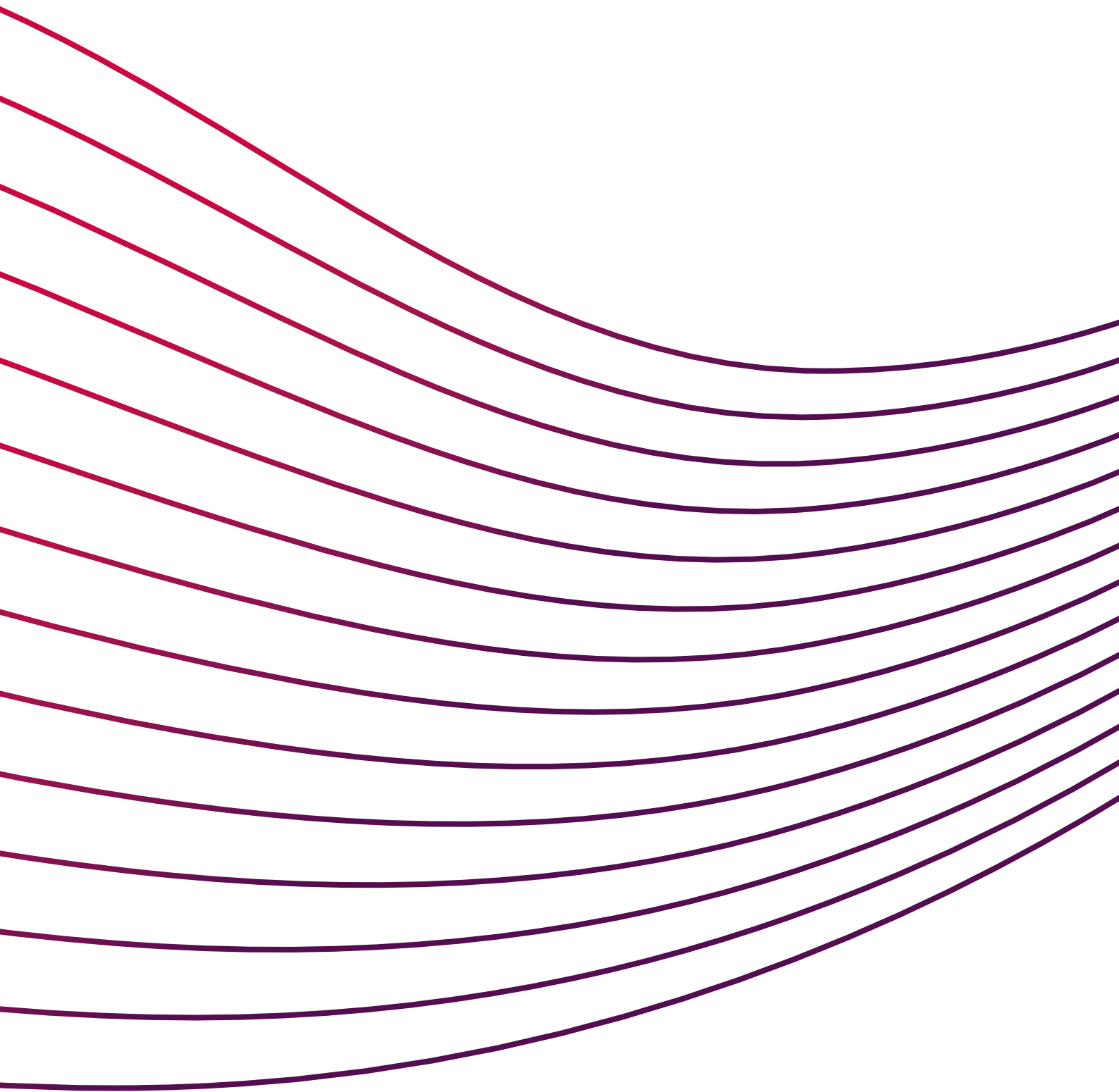
**Report on Corporate Governance  
and Ownership Structure  
at 31 December 2016**

(pursuant to art. 123-bis TUF)





**amplifon**



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# Report on Corporate Governance and Ownership Structure at 31 December 2016

(pursuant to art. 123-*bis* TUF)

## I. Issuer Profile

Amplifon S.p.A., an Italian multinational company with its registered office in Milan, is worldwide leader in customized retail hearing solutions, services, and customer care.

Founded in 1950, Amplifon is active in 22 Countries: directly through Amplifon S.p.A. in Italy, through its subsidiaries in France, Germany, Switzerland, the Netherlands, Belgium, Luxemburg, the UK, Ireland, Spain, Portugal, Hungary, Poland, Turkey, Israel, the USA, Canada, Australia, New Zealand, India, Egypt and Brazil.

The hearing aids are fitted in dedicated points of sale, service centres and, to a marginal extent, at customers' homes. The points of sale are operated both directly and indirectly through agents and franchisees.

The Company's mission is to help people with hearing difficulties to rediscover the joy of a full and active life through solutions which provide maximum hearing satisfaction in all of daily life's different situations.

Amplifon S.p.A.'s corporate governance is based on the traditional organizational model with Shareholders' Meetings, a Board of Directors and a Board of Statutory Auditors. Descriptions of these bodies are provided below and are found throughout this report.

The Shareholders' Meeting is convened at least once a year, in ordinary session, to approve the annual financial report, appoint and remove members of the Board of Directors and the Statutory Auditors, as well as approve their remuneration, and to also resolve on other matters falling under its prerogative as provided for by law. In extraordinary session, shareholders meet to amend the Company's articles of incorporation and association, as well as to resolve on other matters falling under its prerogative as provided for by law.

An auditing firm, listed in the special register kept by CONSOB, is responsible for carrying out the independent audit of the financial statements in accordance with the law.

## 2. Information on Ownership Structure (pursuant to art. 123-bis, par. 1 TUF) at 31 December 2016

### a) Structure of share capital (pursuant to art. 123-bis, par. 1, letter a), TUF)

The share capital at 31 December 2016 amounted to €4,524,236.04 broken down in 226,211,802 ordinary shares with a nominal value of €0.02 each; 219,252,051 of which with voting rights and 6,959,751 of which with voting rights suspended pursuant to art. 2357 *ter*, paragraph 2 of the Italian Civil Code as they represent the Company's treasury shares.

There were no shares with limited voting rights nor shares for which increased voting rights had matured at 31 December 2016.

	n. of shares	% of share capital	Listed (indicate the markets) / non listed	Rights and obligations
Ordinary shares	226,211,802	100%	MTA - STAR Segment	
of which Shares with limited voting rights	-			
of which Shares with increased voting rights	-			
of which Shares with no voting rights	6,959,751	3.077%		Treasury shares

The Company, as from financial year 2001, has implemented Stock Option and Performance Stock Grant Plans which involve capital increases: the description of these plans can be found in the notes to the accounts in the annual report under Note 32, "Stock Options – Performance Stock Grant" and in the Remuneration Statement prepared as per art. 84-bis of the Issuers' Regulations, documents available on the Company's website in the sections "Investors/Financial Reports" and "Governance/Executive Remuneration".

There were no instruments granting subscription rights of newly issued shares in existence at 31 December 2016.

### b) Share transfer restrictions (pursuant to art. 123-bis, par. 1, letter b), TUF)

At 31 December 2016 the following share transfer restrictions were in effect:

- N. 48,706,284 ordinary shares of Amplifon were pledged by the shareholder Ampliter N.V. in favour of the Bondholders, Trustee, Registrar, Transfer Agent, Principal Paying and Exchange Agent, Calculation Agent, Parallel Debt Creditor and Custodian (the Secured Parties), pursuant to a Deed of pledge executed on 14 November 2013 as part of Ampliter N.V.'s issue of senior secured bonds in the aggregate amount of EUR 135 million, due in 2018, exchangeable into existing ordinary shares of Amplifon.
- the shareholder Ampliter N.V. deposited n. 240,000 Amplifon shares in an escrow account in order to guarantee the loan granted by a premiere banking institution to Ampliter N.V. through its maturity on 31/12/2017. The shares will be kept deposited until the debt maturity.

### c) Significant interests in share capital (pursuant to art. 123-bis, par. 1, letter c), TUF)

Based on the declarations received under art. 120 of TUF, the following shareholders hold significant interests in the Company's share capital at 31 December 2016:

Declarant	Direct shareholder	% of ordinary capital (*)	% of voting capital at 31.12.2016
Ampliter N.V.	Ampliter N.V.	53.862	52.084
FMR LLC	FMR LCC	4.918	5.074
Tamburi Investment Partners S.p.A.	Tamburi Investment Partners S.p.A.	4.325	4.350

(\*) The percentages refer to the share capital disclosed to CONSOB pursuant to art. 120 of TUF. With regard, specifically, to the majority shareholder Ampliter N.V., reference is made to the declaration dated 21/03/2016.

At 31 December 2016 n. 48,706,284 ordinary shares of Amplifon or 21.531% of the share capital and 22.215% of the shares with voting rights had been pledged by Ampliter N.V. as part of the bond issue referred to in b) above.

**d) Shares with special rights (pursuant to art. 123-bis, par. 1, letter d), TUF)**

At 31 December 2016 there were no shares granting special rights of control. On 29 January 2015 shareholders met in extraordinary session and amended the Company's Articles of Association in accordance with art. 127-quinquies of Legislative Decree n. 58 dated 24 February 1998-TUF granting two votes for each share held by the same party without interruption for a period of at least 24 months as of the registration date shown in a specific register. Shareholders may request to be registered at any time. The registration will take place within the fifteenth day of the month subsequent to having received the request. At 31 December 2016 n. 113,545,051 shares or 50.194% of the share capital and 51.787% of the shares with voting rights, of which n. 112,547,280 shares or 49.753% of the share capital and 51.332% of the shares with voting rights, held by the majority shareholder Ampliter N.V., were registered in the above mentioned specific register. If Ampliter N.V. continues to hold these shares without interruption, the latter will be granted increased voting rights as of 2 April 2017.

**e) Employee share ownership: exercise of voting rights (pursuant to art. 123-bis, par. 1, letter e), TUF)**

No specific mechanisms for the exercise of voting rights under employee share ownership are provided for.

**f) Restrictions on voting rights (pursuant to art. 123-bis, par. 1, letter f), TUF)**

At 31 December 2016, the only limits on voting rights are those pursuant to art. 2357-ter, paragraph 2 of the Italian Civil Code (suspended voting rights) related to the Company's treasury shares as described in paragraph 2 a).

As part of the issue made by Ampliter N.V. of the *senior* secured bonds for a total outstanding amount at 31 December 2016 of EUR 101.9 million, the voting rights pertaining to the Amplifon shares pledged by Ampliter N.V. may be exercised by the latter unless Ampliter N.V. fails to pay the bondholders, or if any other default events occur as per the Deed of pledge, and the Secured Parties exercise the voting rights.

Furthermore, at 31 December 2016, n. 602,634 shares had been loaned by Ampliter N.V. as part of the same transaction. These shares (included in the percentages shown in the table found in item c) above) do not grant voting rights to Ampliter N.V..

**g) Shareholders' agreements (pursuant to art. 123-bis, par. 1, letter g), TUF)**

At 31 December 2016, there were no known shareholder agreements pursuant to art. 122 of TUF.



**h) Change of control clauses (pursuant to art. 123-bis, par. 1, letter h), TUF) and provisions relating to takeover bids (pursuant to art. 104, par. 1-ter, and 104-bis, par. 1)**

In the course of their normal business, the Company and its subsidiaries may stipulate agreements with financial partners which, as is common practice in international contracts, include clauses which grant each of the parties the right to rescind or amend said agreements in the event the direct and/or indirect control of one of the parties themselves should change.

At 31 December 2016, a Eurobond issued by Amplifon S.p.A., which amounted to €275 million at 31 December 2016, maturing in 2018, and the residual debt of the private placement expiring between 2020 and 2025, which amounted to USD 130 million at 31 December 2016, contain, as is normally the practice in these kinds of financial transactions, change of control clauses in the event the controlling shareholder of Amplifon S.p.A. should change based on which the Company must advise the parties of same and the latter may request repayment.

**i) Authority to increase share capital and authorizations to buyback shares (pursuant to art. 123-bis, par. 1, letter m), TUF)**

***i.1) Authority to increase share capital***

Pursuant to the powers granted during the Extraordinary Shareholders' Meeting held on 27 April 2006 pursuant to art. 2443 of the Italian Civil Code, on 28 October 2010 the Board of Directors resolved to increase share capital against payment in one or more instalments for up to a maximum amount of €150,000.00 through the issue of 7,500,000 ordinary shares of a nominal value of €0.02 per share, with dividend rights, to be offered in subscription to employees of the Company and its subsidiaries without option rights pursuant to art. 2441, final paragraph, of the Italian Civil Code and art. 114-bis and art. 134, second paragraph, of Decree 58/98 and subsequent amendments, based on the strategic importance of the position held within the Group. Any board resolution to increase share capital as per the powers granted must be subscribed within the period indicated (at any rate, not after 31 December 2020) and the share capital will be considered increased by an amount equal to the subscriptions tendered at the expiration date.

On 16 April 2014 shareholders granted the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, the power to increase share capital, without payment, for a period of five years from the resolution date, in one or more instalments for up to a maximum amount of €100,000.00, through the issue of a maximum of 5,000,000 ordinary shares of a nominal value of €0.02 per share, with dividend rights, to be assigned to employees of Amplifon S.p.A. and/or its subsidiaries pursuant to art. 2349 of the Italian Civil Code as part of the Company's existing or future stock grant plans. These capital increases must be made through the use of distributable earnings or available reserves as per the last regularly approved annual report.

For a more detailed description of the Stock Option Plans, please refer to the notes to the accounts in the annual report, specifically Note 32, "Stock Options – Performance Stock Grant", and to the Remuneration Statement prepared as per art. 84-bis of the Issuers' Regulations published on the Company's website in the section "Governance/Executive Remuneration".

At 31 December 2016, no other authorizations to increase share capital or issue other securities were in place.

***i.2) Authorizations to buyback shares***

On 18 April 2016 shareholders, after having revoked the authorization granted on 21 April 2015,

authorized, pursuant to and in accordance with article 2357 of the Italian Civil Code, the purchase, in one or more instalments, of up to a maximum of new ordinary shares which will result in the Company holding a maximum of 10% of the Company's share capital in the event the power granted is fully exercised in the timeframe indicated herein, as permitted by law and taking into account the treasury shares already held, in order to provide the Company with a means to:

- (i) have treasury shares available to service stock-based incentive plans, both existing and future, benefiting directors and/or employees and/or partners of the Company or its subsidiaries;
- (ii) use treasury shares as a means of payment in the acquisition of companies or the exchange of equity interests.

The shares may be purchased for a period of eighteen months from the date of the shareholders' approval at a unit price that may not be 10% above or below the official stock price recorded by the stock exchange on the day prior to each single purchase and may be purchased on regulated markets including through the purchase and sale of derivatives traded on regulated markets that call for the physical delivery of the underlying shares, as well as by assigning proportional put options to shareholders; the purchases will be made in accordance with the methods provided in both article 132 of Legislative Decree n. 58 dated 24 February 1998 and article 144-*bis* of CONSOB resolution n. 11971 of 14 May 1999, with the sole exception of public tender and exchange offers, taking into account the specific exemption provided for in the third paragraph of article 132 of Legislative Decree n. 58 dated February 24<sup>th</sup>, 1998, as well as with any and all other applicable laws and regulations.

In the same resolution, on 18 April 2016 shareholders also authorized, pursuant to and in accordance with article 2357-*ter* of the Italian Civil Code, the disposal, in one or more instalments, at any time and for an unlimited period of time, of the treasury shares purchased, in accordance with laws and regulations in effect at the time of the transaction. The sale transactions may be carried out prior to having completed all purchases, on one or more occasions on the market, including as a result of trading or block sales, and/or through transfer to directors, employees or partners of the Company and/or its subsidiaries, in implementation of incentive plans and/or other disposals involving the exchange or disposal of blocks of stock, including through swaps or transfers, or lastly as a result of capital market transactions involving the assignment or disposal of treasury shares (including, for example, mergers, spin-offs, the issue of convertible bonds or warrants serviced by treasury shares).

At the close of financial year 2016 Amplifon held a total of n. 6,959,751 ordinary shares, equal to 3.077% of the share capital; n. 6,263,750 of these shares were already held at the close of financial year 2015 and n. 2,199,000 were purchased during the year, while a total of n. 1,502,999 shares were transferred to directors, employees and/or partners as part of the stock-based incentive plans.

#### **I) Co-ordination and direction activities (pursuant to art. 2497 *et seq.* of the Italian Civil Code)**

The Company is not subject to direction or co-ordination by other parties.

It is opportune to point out that Susan Carol Holland, Director of the direct Parent Company Ampliter N.V. and Deputy Chairman of the indirect Parent Company Amplifin S.p.A., is the non-executive Chairman of Amplifon S.p.A..

It is the Company's view that the mere presence of a director serving on the boards of both the Company and its parent companies is not to be construed as exercising control or co-ordination given the lack of involvement in operations.

Furthermore, none of the factors commonly recognized as indicative of exercising direction and coordination activities were found to exist with Amplifon S.p.A. and its parent company.

The information requested in art. 123-bis, first paragraph, letter i), “*agreements between the company and the directors and members of the Management Board and the Supervisory Board which call for indemnity in the event of resignation or dismissal without cause or termination following a takeover bid*” can be found in the Remuneration Statement published in accordance with art. 123-ter of TUF.

The information requested in art.123-bis, first paragraph, letter l), “*the norms governing nomination and replacement of directors and members of the Management Board and the Supervisory Board, as well as amendments to the Articles of Association, if different from those provided for under the applicable laws and regulations*” are illustrated in the section regarding the Board of Directors found in this report.

### **3. Compliance (pursuant to art. 123-bis, par. 2, letter a), TUF)**

The Company adopted the last version of the Corporate Governance Code issued, approved by the Corporate Governance Committee in July 2015.

The Corporate Governance Code is available on the Corporate Governance Committee’s website at “<http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf>”

Neither the Company nor any of its subsidiaries are subject to foreign legislation which could impact or influence the Company’s corporate governance structure.

## **4. Board of Directors**

### **4.1. Appointment and replacement (pursuant to art. 123-bis, par. 1, letter l), TUF)**

The Company is managed by a Board of Directors comprised of between three and eleven members, as resolved by shareholders.

The members of the Board of Directors are elected based on a list of candidates presented by the shareholders and/or a group of shareholders who own at least 1% of share capital (as per CONSOB Resolution n. 19586 dated 25 January 2017).

The lists presented must indicate the candidates in sequential numerical order and must be filed at the Company’s registered office at least 25 days prior to the date of the Shareholders’ Meeting in first call. The Company will also publish the lists on its website and in accordance with other modalities indicated in the CONSOB regulation issued pursuant to art. 147-ter, par. 1-bis of Legislative Decree 58/1998 at least 21 days prior to the Shareholders’ Meeting.

Each shareholder who presents a list or is party to a list must submit the certificate issued by the authorized intermediary proving entitlement to exercise rights as a shareholder to the company’s registered office,

along with the lists, by the legal deadline set for the Company's publication of said lists.

Based on the Company's Articles of Association, at least one of the members of the Board of Directors, or two if the Board is comprised of more than seven members, must meet the requisites required for the independent statutory auditors set forth in the applicable norms and regulations.

Only those candidates included in lists presented by shareholders holding voting rights equal to half the amount required in order to be entitled to present lists will be considered.

Moreover, based on the Articles of Association, the Board of Directors will be appointed in compliance with the current law governing gender equality rounding up the number of candidates belonging to the least represented gender in the event application of the quota criteria does not result in a whole number.

The directors will be elected based on the lists submitted, the majority of votes obtained in the sequential numerical order in which the candidates appear on said lists. One director, in possession of the requisite of independence pursuant to the law and in no way connected, even indirectly, to the shareholders who submitted or cast more votes for the list, will be elected from the minority list on the basis of sequential numerical order and the majority of votes obtained.

The directors are appointed for a maximum term of three years and may be re-elected. If one or more of the directors should resign, for whatever reason, during their term, the Board of Directors will act in accordance with art. 2386 of the Italian Civil Code.

If one or more of the resigned directors was included in a list containing candidates who were not elected, the Board of Directors will appoint substitute directors based on the sequential numerical order of said list providing the candidates are still eligible for election and willing to accept the assignment.

In any event the Board will ensure that the total number of independent directors appointed complies with the law, including with respect to gender quotas.

In the event the exiting director was an independent director, the Board will attempt, to the extent possible, to appoint the first of the non-elected independent directors included in the exiting directors' list.

The Board of Directors is vested with the broadest powers for the Company's ordinary and extraordinary administration. It meets at least once every three months and has adopted an organization and *modus operandi* which guarantee effective and efficient performance of its functions. The Board of Directors, including through its delegates, reports on a timely basis to the Board of Statutory Auditors on its work and on any transactions carried out by the Company and its subsidiaries having a significant impact on profitability, assets and liabilities or financial position; in particular, it reports on transactions representing a potential conflict of interests.

### **Succession planning**

During the meeting held on 6 March 2013 the Board of Directors, pursuant to the proposal of the Risk and Control Committee (as of 16 December 2016, the "Risk, Control and Sustainability Committee"), approved the succession plan relative to the appointment of executive directors in the event of unexpected vacancies or expiration of the term.

Based on this procedure the Chairman of the Board of Directors and, if unable, the Risk, Control and Sustainability Committee, after consulting with the Chairman of the Board of Statutory Auditors, will:

- seek to understand the situation and decide which is more opportune: succession or a temporary appointment;
- inform the Directors and the Board of Statutory Auditors;
- call a Board of Directors' meeting in order to adopt the measures deemed opportune.

#### 4.2. COMPOSITION (pursuant to art. 123-bis, par. 2, letter d), TUF)

At 31 December 2016 the Board of Directors was comprised as follows:

Name and date of birth	Office held	In office since	List	Exec.	Non-exec.	Ind.	Indip.TUF	% BoD	Other appointments
Susan Carol Holland 27/05/1956	Chairman	<u>18/04/2016</u> <u>19/02/2001</u>	M		X			100	1
Enrico Vita 16/02/1969	Chief Executive Officer (CEO)	<u>18/04/2016</u> <u>20/10/2015</u>	M	X				100	1
Andrea Casalini 02/05/1962	Director	<u>18/04/2016</u> <u>18/04/2016</u>	M		X	X	X	100	3
Alessandro Cortesi 22/03/1962	Director	<u>18/04/2016</u> <u>18/04/2016</u>	m		X	X	X	100	4
Maurizio Costa 29/10/1948	Director	<u>18/04/2016</u> <u>24/04/2007</u>	M		X	X	X	90	3
Laura Donnini 06/02/1963	Director	<u>18/04/2016</u> <u>18/04/2016</u>	M		X	X	X	100	2
Maria Patrizia Grieco 01/02/1952	Director	<u>18/04/2016</u> <u>18/04/2016</u>	M		X	X	X	100	6
Lorenzo Pozza 11/10/1966	Director	<u>18/04/2016</u> <u>18/04/2016</u>	M		X	X	X	100	8
Giovanni Tamburi 21/05/1954	Director	<u>18/04/2016</u> <u>17/04/2013</u>	M		X	X	X	100	10

#### Key

**Office held:** Chairman, Deputy Chairman, CEO, etc..

**In office since:** Date of first appointment.

**List:** indicated as M/m depending on whether the director was elected on a majority list or a minority list (art. 144-*decies* of the CONSOB's Issuers' Regulations).

**Exec.:** marked if the director qualifies as Executive.

**Non exec.:** marked if the director qualifies as Non-Executive.

**Ind.:** marked if the director qualifies as Independent under the Code's criteria.

**Indep.TUF:** marked if the director meets the independence qualifications established by par. 3, art. 148 of TUF (art. 144-*decies* of the CONSOB's Issuers' Regulations).

**% BoD:** indicates the director's attendance record in percentage terms at Board meetings (the calculation of this percentage reflects the number of meetings attended by the director relative to the number of Board meetings held during the year or after the director's appointment).

**Other appointments:** indicates the total number of appointments held in other companies listed on regulated markets (in Italy or abroad), in financial, banking, insurance or large companies, identified on the basis of the criteria established by the Board of Directors.

Through the date of the Shareholders' Meeting held on 18 April 2016, the Board of Directors was comprised as follows:

Name and date of birth	Office held	In office since	List	Exec.	Non-exec.	Ind.	Indip.TUF	% BoD	Other appointments
<b>Anna Maria Formiggini</b> 19/02/1924	Honorary Chairman	<u>17/04/2013</u> <u>19/02/2001</u>	M		X			0	1
<b>Susan Carol Holland</b> 27/05/1956	Chairman	<u>17/04/2013</u> <u>19/02/2001</u>	M		X			100	1
<b>Franco Moscetti</b> 09/10/1951	Deputy Chairman	<u>17/04/2013</u> <u>14/12/2004</u>	M		X			0	4
<b>Enrico Vita</b> 16/02/1969	Chief Executive Officer (CEO)	<u>20/10/2015</u> <u>20/10/2015</u>	M	X				100	1
<b>Giampio Bracchi</b> 27/01/1944	Director	<u>17/04/2013</u> <u>24/04/2007</u>	M		X	X	X	100	4
<b>Maurizio Costa</b> 29/10/1948	Director	<u>17/04/2013</u> <u>24/04/2007</u>	M		X	X	X	100	3
<b>Andrea Guerra</b> 26/05/1965	Director	<u>17/04/2013</u> <u>08/03/2011</u>	M		X	X	X	100	5
<b>Anna Puccio</b> 10/03/1964	Director	<u>21/04/2015</u> <u>21/04/2015</u>	M		X	X	X	100	2
<b>Giovanni Tamburi</b> 21/05/1954	Director	<u>17/04/2013</u> <u>17/04/2013</u>	m		X	X	X	100	10

#### Key

**Office held:** Chairman, Deputy Chairman, CEO, etc..

**In office since:** Date of first appointment.

**List:** indicated as M/m depending on whether the director was elected on a majority list or a minority list (art. 144-*decies* of the CONSOB's Issuers' Regulations).

**Exec.:** marked if the director qualifies as Executive.

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**Ind.:** marked if the director qualifies as Independent under the Code's criteria.

**Indep.TUF:** marked if the director meets the independence qualifications established by par. 3, art. 148 of TUF (art. 144-*decies* of the CONSOB's Issuers' Regulations).

**% BoD:** indicates the director's attendance record in percentage terms at Board meetings (the calculation of this percentage reflects the number of meetings attended by the director relative to the number of Board meetings held during the year or after the director's appointment).

**Other appointments:** indicates the total number of appointments held in other companies listed on regulated markets (in Italy or abroad), in financial, banking, insurance or large companies, identified on the basis of the criteria established by the Board of Directors.

It is to be noted that:

- During the meeting held on 18 April 2016 the Board of Directors established the composition of the Committees and the Supervisory Board which are now comprised as follows:

- Risk and Control Committee (subsequently named Risk, Control and Sustainability Committee):

**Chairman:** Lorenzo Pozza

**Member:** Susan Carol Holland

**Member:** Alessandro Cortesi

**Member:** Laura Donnini

- Remuneration and Appointments Committee:

**Chairman:** Maurizio Costa

**Member:** Susan Carol Holland

**Member:** Andrea Casalini

**Member:** Maria Patrizia Grieco

- Independent Directors for Related Party Transactions Committee:

**Chairman:** Andrea Casalini

**Member:** Laura Donnini

**Member:** Giovanni Tamburi

- Supervisory Board:

**Chairman:** Lorenzo Pozza

**Member:** Laura Donnini

**Member:** Paolo Tacciarina (head of Internal Audit)

- During the meeting held on 18 April 2016, the Board of Directors appointed Enrico Vita, Chief Executive Officer, as General Manager and Director of the Board, granting him the powers deemed opportune.

The professional characteristics of the Directors are described in the annual report in the section "Corporate Governance and personnel" (the annual report is published on the Company's website in the section "Investors/Financial Reports").

For a more detailed description of the criteria used to evaluate the independence of the directors, please refer to section 4.6 of this report.

The list of the other companies in which the Directors of Amplifon S.p.A. have other appointments can be found in Annex 1 of this report.

The members of the Board Committees formed as resolved by the Board of Directors on 18 April 2016, along with their attendance records for the year, are shown below:

Name	Office held	E.C.	% E.C.	N.C.	% N.C.	R.A.C.	% R.A.C.	R.C.S.C.	% R.C.S.C.
Susan Carol Holland	Chairman	n/a	n/a	n/a	n/a	M	100	M	100
Andrea Casalini	Director	n/a	n/a	n/a	n/a	M	75		
Alessandro Cortesi	Director	n/a	n/a	n/a	n/a			M	100
Maurizio Costa	Director	n/a	n/a	n/a	n/a	C	100		
Laura Donnini	Director	n/a	n/a	n/a	n/a			M	100
Maria Patrizia Grieco	Director	n/a	n/a	n/a	n/a	M	100		
Lorenzo Pozza	Director	n/a	n/a	n/a	n/a			C	100

#### Key

**n/a:** not applicable.

**E.C.:** Executive Committee; C/M for chairman/member of Executive Committee.

**% E.C.:** indicates the director's attendance record in percentage terms at Executive Committee meetings (the calculation of this percentage reflects the number of meetings attended by the director relative to the number of Executive Committee meetings held during the year or after the director's appointment to this committee).

**N.C.:** Nominations Committee; C/M for chairman/member of the Nominations Committee.

**% N.C.:** indicates the director's attendance record in percentage terms at Nominations Committee meetings (the calculation of this percentage reflects the number of meetings attended by the director relative to the number of Nominations Committee meetings held during the year or after the director's appointment to this committee).

**R.A.C.:** C/M: chairman/member of the Remuneration and Appointments Committee.

**% R.A.C.:** indicates the director's attendance record in percentage terms at Remuneration and Appointments Committee meetings (the calculation of this percentage reflects the number of meetings attended by the director relative to the number of Remuneration and Appointments Committee meetings held during the year or after the director's appointment to this committee).

**R.C.S.C.:** C/M: chairman/member of the Risk, Control and Sustainability Committee.

**% R.C.S.C.:** indicates the director's attendance record in percentage terms at Risk, Control and Sustainability Committee meetings (the calculation of this percentage reflects the number of meetings attended by the director relative to the number of Risk, Control and Sustainability Committee meetings held during the year or after the director's appointment to this committee).

The members of the Board Committees formed as resolved by the Board of Directors on 17 April 2013, and revised by the Board during the meeting held on 29 January 2015, along with their attendance records for the first months of 2016 are shown below:

Name	Office held	E.C.	% E.C.	N.C.	% N.C.	R.A.C.	% R.A.C.	R.C.C.	% R.C.C.
Susan Carol Holland	Chairman	n/a	n/a	n/a	n/a	M	100	M	100
Giampio Bracchi	Director	n/a	n/a	n/a	n/a			C	100
Maurizio Costa	Director	n/a	n/a	n/a	n/a	C	100		
Andrea Guerra	Director	n/a	n/a	n/a	n/a	M	0		
Anna Puccio	Director	n/a	n/a	n/a	n/a			M	50

#### Key

n/a: not applicable.

E.C.: Executive Committee; C/M for chairman/member of Executive Committee.

% E.C.: indicates the director's attendance record in percentage terms at Executive Committee meetings (the calculation of this percentage reflects the number of meetings attended by the director relative to the number of Executive Committee meetings held during the year or after the director's appointment to this committee).

N.C.: Nominations Committee; C/M for chairman/member of the Nominations Committee.

% N.C.: indicates the director's attendance record in percentage terms at Nominations Committee meetings (the calculation of this percentage reflects the number of meetings attended by the director relative to the number of Nominations Committee meetings held during the year or after the director's appointment to this committee).

R.A.C.: C/M: chairman/member of the Remuneration and Appointments Committee.

% R.A.C.: indicates the director's attendance record in percentage terms at Remuneration and Appointments Committee meetings (the calculation of this percentage reflects the number of meetings attended by the director relative to the number of Remuneration and Appointments Committee meetings held during the year or after the director's appointment to this committee).

R.C.C.: C/M: chairman/member of the Risk and Control Committee.

% R.C.C.: indicates the director's attendance record in percentage terms at Risk and Control Committee meetings (the calculation of this percentage reflects the number of meetings attended by the director relative to the number of Risk and Control Committee meetings held during the year or after the director's appointment to this committee).

#### Maximum number of appointments allowed in other companies

Pursuant to the Corporate Governance Code for listed companies issued by Borsa Italiana S.p.A. in March 2006 and updated in July 2015 on the role of the Board of Directors and its efficient execution of its functions, on 6 March 2013 Amplifon S.p.A.'s Board of Directors expressed its positioning by approving the "Regulations for the Board of Directors", art. 6 of which establishes the maximum permitted number of directorships or statutory auditorships in other companies deemed to be compatible with holding the office of director: *'Non-Executive Directors and Committees Chairmen appointed by the Board will not be able to assume directorships or statutory auditorships in more than 5 companies listed on regulated markets (including foreign markets), financial, banking, insurance or large companies, while Independent Directors may not assume more than 10 directorships or statutory auditorships'*. Please note that *'the limit on the number of appointments does not include subsidiaries nor the parent companies of Amplifon S.p.A.'*

#### Induction Programme

Following the appointment of the Directors specific meetings will be held with the company management during which information relating to the sector, the competitive environment, the Group structure, the Company the organization and the internal control and risk management system will be provided.



### 4.3. Role of the Board of Directors (pursuant to art. 123-bis, par. 2, letter d), TUF)

#### 4.3.1. Activities carried out in 2016 and expected for 2017

During 2016 the Board of Directors met **eight** times:

- 2 March;
- 4 April;
- 18 April;
- 27 April;
- 29 June;
- 27 July;
- 26 October;
- 16 December.

Meetings lasted an average of four hours each.

Four meetings have been scheduled for 2017, with the possibility of holding other ones in order to examine specific topics related to operations and to evaluate strategic development plans as, to date, the Company has not instituted a Strategic Committee insofar as the Company believes that this role can be filled through specific Board of Directors' meetings.

The Board meetings are called by the Chairman, or on the Chairman's behalf, by way of a registered letter sent to each director or standing auditor at least five days prior to the meeting or, in urgent cases, via telegram, fax, or return receipt e-mail at least one day prior to the scheduled meeting date.

The Board of Directors may also be called, after having notified the Chairman of the Board itself, by two members of the Board of Statutory Auditors.

The Board members usually receive the documentation relating to the meeting together with the summons for the Board of Directors' meeting, unless for reasons of confidentiality or lack of readiness it is not advisable or possible.

In 2016 the Chairman of the Board of Directors invited the Manager charged with preparing the Company's financial reports to attend all the meetings; several Group Market Directors were also invited to report directly to the Board on the micro and macro-economic trends in the countries for which they are responsible, as were a few members of the Executive Leadership Team and some managers, in order to discuss specific topics.

All the other aspects relating to the functioning of the Board of Directors are governed by specific regulations, compliance with which is monitored by the Chairman with the assistance of the Board Secretary.

#### 4.3.2. Role of the Board of Directors

The Board of Directors is vested with the broadest powers for the Company's ordinary and extraordinary administration and may perform all activities deemed necessary to achieve the Company's purpose, with the exception of those powers attributed by law or the Articles of Association to the Shareholders' Meeting. In detail, the Board of Directors:

- resolves on the opening and closure of secondary offices and the transfer of the registered office within the borders of Italy;

- indicates which of the Directors should represent the Company;
- resolves on reduction of share capital in the event of shareholder withdrawal;
- resolves on the amendments needed to be made to the Articles of Association in light of new norms and regulations;
- within the limits envisaged in art. 2420 *ter*, art. 2443 and art. 2436 of the Italian Civil Code, assumes decisions on mergers and spin-offs pursuant to art. 2505, art. 2505 *bis* and art. 2506 *ter* of the Italian Civil Code;
- examines and approves the strategic, operational and financial plans of the Company and the Group companies and periodically monitors implementation; defines the corporate governance system of the Company itself and the Group structure;
- defines the nature and level of risk compatible with the Company's strategic objectives;
- evaluates the adequacy of the general organizational and administrative structure of the Company and its strategically relevant subsidiaries put in place by the Chief Executive Officer, particularly with regard to and on an annual basis, the adequacy, efficiency and effective functioning of the internal control and risk management system, and the management of conflicts of interest;
- grants and revokes the Chief Executive Officer's powers, defining the limits and means of operation, without prejudice to the powers reserved exclusively to the Board pursuant to art. 2381 of the Italian Civil Code, as well as in relation to art. 20 of the Articles of Association;
- determines, following the advice of the Remuneration and Appointments Committee a remuneration policy for the Directors, the Key Managers and the Head of Internal Audit; determines, after examining the proposals of the Remuneration and Appointments Committee and consulting the Board of Statutory Auditors pursuant to art. 2389 par. 3 of the Italian Civil Code, the remuneration of the Chief Executive Officer and the other Directors holding particular offices, including as members of Board committees, as well as, in the event the shareholders have not done so, the breakdown of the Board members' global compensation;
- evaluates the Company's general performance, paying particular attention to the information received from the Executive Directors, and periodically comparing the results achieved with forecasts;
- examines and approves the Company's and its subsidiaries' operations, in case such operations have a significant impact on the Company's profitability, assets and liabilities or financial position, paying special attention to situations in which one or more Directors have a direct or indirect (through third parties) interest and, more in general, transactions involving related parties; toward this end establishes the general criteria to identify relevant transactions;
- evaluates, at least once a year, the size, composition and performance of the Board of Directors and its committees and may provide opinions about the profile of the professionals that should serve on the Board;
- evaluates the need to adopt a succession plan for the Chief Executive Officers;
- provides information, in the report on corporate governance:
  - on the composition of the Board, indicating, for each member, the qualifications, office held within the Board, the main professional experiences, as well as how long the office has been held;
  - on how the duties assigned are fulfilled and, more specifically on the number and the average duration of the Board meetings held during the year and the attendance record of each Board member;
  - on the principal characteristics of the internal control and risk management system expressing the Board's opinion as to the adequacy and efficacy of the latter with respect to Group's characteristics and risk profile;
- evaluates any exceptions to the non-compete provisions contained in art. 2390 of the Italian Civil Code authorized by the shareholders in light of organizational needs, pointing out any critical areas to the

shareholders during their next meeting. Toward this end, each Director will inform the Board, upon accepting his/her appointment of any activities carried out which could be considered in competition with the Company and, subsequently, of any relevant changes in this regard;

- provides the shareholders with information about the activities carried out and planned and works to ensure that the shareholders receive the information needed to be able to make informed decisions during Shareholders' Meetings. All the Directors usually attend the Shareholders' Meeting and any absences must be justified;
- assesses whether or not it is opportune, in the event of significant changes in the Company's market capitalization or in the composition of its shareholders, to propose that shareholders amend the Articles of Association with regard to the percentages needed to mobilize shares and the steps taken to protect minority shareholders.

During the meeting held on 27 April 2016, the Board allocated the global remuneration approved during the Shareholders' Meeting held on 18 April 2016 to its individual members.

During the meeting held on 27 April 2016, the Board also resolved to pay the Independent Directors additional fees if they hold special offices as follows:

- if called upon to chair the Remuneration and Appointments Committee and the Risk and Control Committee (as of 16 December 2016, the "Risk, Control and Sustainability Committee"), an additional fee of €30,000.00 for each chairmanship.
- if called upon to serve on the Remuneration and Appointments Committee and the Risk and Control Committee (as of 16 December 2016, the "Risk, Control and Sustainability Committee"), an additional fee of €20,000.00 for each membership.
- if called upon to chair the Supervisory Board, an additional fee of €15,000.00.
- if called upon to serve on the Supervisory Board, an additional fee of €10,000.00.
- if called upon to chair as Lead Independent Director the Committee of Independent Directors (Related Party Transactions), an additional fee of €10,000.00.
- if called upon to serve on the Committee of Independent Directors (Related Party Transactions), an additional fee of €5,000.00.

These supplementary fees have no impact on the global remuneration approved by the Shareholders' Meeting insofar as they are not to be considered additional to said amounts.

The Board, in all of the meetings dedicated to examining the yearly and periodic accounting records, also looks at the reports on operations of each single subsidiary and the Group as a whole, prepared by the Chief Executive Officer.

In the resolutions dated 18 April 2016, 29 June 2016 and 26 October 2016, the Board determined the powers of the Chief Executive Officer and the limits on the exercise of powers which should be exercised in accordance with the guidelines approved by the Board of Directors, as well as the forecast investments and expenses indicated in the budgets approved by the Board of Directors.

Toward this end the Chief Executive Officer was granted single signatory powers for an amount of up to €10 million per transaction and up to €30 million (notional amount per transaction) for contracts involving derivatives, as well as for the transfer of funds, without limits, between the Company's bank accounts.

With regard to contracts with suppliers, specifically, the Chief Executive Officer may enter into contracts

worth an estimated amount of not more than €10 million per annum for each contract relating to products other than hearing aids as long as the products still relate to hearing impairment, while he may enter into framework contracts for the supply of hearing aids and related services worth an estimated amount, per supplier, which does not exceed 40% of the overall volume of annual purchases that the Group expects to make in the respective sector.

The Chief Executive Officer may also exercise powers relating to bank loans and lines of credit in joint signature with the Group's CFO for an amount of up to €20 million per transaction, as well as transfer funds, without limits, to affiliates and associates; in joint signature with the Chief HR Officer or a member of the Board of Directors the CEO may stipulate, take disciplinary action relating to, or terminate any employment contract with a company Executive.

The Chief Executive Officer may also carry out with sole signature, including through sub-delegation, extraordinary transactions by executing the necessary deeds and contracts for an amount of up to €30 million per transaction involving, for example, acquisitions or disposals of controlling interests in companies, acquisitions or disposals of business divisions, agreements relative to joint or similar strategic ventures, in the countries in which Amplifon is already present through one or more subsidiaries.

The Board of Directors also granted the General Manager certain single signatory powers for an amount of up to €10 million per transaction to the extent that the transactions are in accordance with the guidelines, the investment plans and budgets approved by the Board of Directors.

During the meeting held on 27 July 2016, the Board of Directors approved the "Regulation on related party transactions" and the "Related Party Transactions: internal operational procedure" issued pursuant to and in accordance with CONSOB Regulation n. 17221 of 12 March 2010. Please refer to Chapter 12 below for information on "Directors' interests and related party transactions".

The Risk and Control Committee (as of 16 December 2016, the "Risk, Control and Sustainability Committee"), with the support of the Head of Internal Audit, prepared a report summarizing the interviews conducted with the members of the Board of Directors regarding the evaluation of the Board's composition and performance.

This report was shared by the Independent Directors during their periodic meeting held in accordance with the Corporate Governance Code and submitted to the Board by the Chairman of the Risk and Control Committee (as of 16 December 2016, the "Risk, Control and Sustainability Committee") and the Lead Independent Director Lorenzo Pozza during the meeting held on 16 December 2016.

The comments included in the report were shared with those present, underlining the areas of improvement.

The Shareholders' Meeting did not authorise any exceptions to the non-compete provisions contained in art. 2390 of the Italian Civil Code.

## **4.4. Executive bodies**

### **4.4.I. Chief Executive Officers**

To date the Company has deemed it sufficient to appoint a single Chief Executive Officer in the person of Enrico Vita, who also serves as the General Manager.

During the meetings held on 8 April 2016, 29 June 2016 and 26 October 2016, the Chief Executive Officer and General Manager was granted the powers described above in paragraph 4.3.2..

The Chief Executive Officer will report to the Board every three months on the activities carried out in order to fulfil his duties.

#### 4.4.2. Chairman

The Chairman acts in accordance with the law and the Company's Articles of Association, without operational powers and does not have a specific role in determining Company strategies.

#### Reporting to the Board

The Chief Executive Officer must report to the Board at least every three months on the most significant events which occurred within the Group and on the market conditions which could influence operations. Furthermore, the heads of the various subsidiaries present in the markets where the Group operates provide, as deemed appropriate, the Board with information regarding each subsidiary's operation and the reference markets (please also refer to paragraph 4.3.1).

#### 4.5. Other executive directors

The Chief Executive Officer is the only Executive Director.

If deemed opportune members of the Executive Leadership Team and of the Management Team may also be called upon to discuss specific transactions with the Board of Directors.

#### 4.6. Independent directors

During the meeting held on 18 April 2016, the Board of Directors evaluated whether or not the Independent Directors Pozza, Casalini, Costa, Donnini, Grieco, Cortesi and Tamburi still qualified as such.

This evaluation was carried out in accordance with art. 148, paragraph 3, of Legislative Decree n. 85 dated 24 February 1998 ("TUF") as per art. 147-ter, paragraph 4, TUF and on the basis of the criteria outlined in the Code and the prudent assessment of the Board with the abstention of the Director in question. More in detail, the Board examined, on the basis of the declarations made by the persons concerned and/or available information, the relationships which could potentially compromise independence.

Toward this end please note:

- with a view to applying the recommendations found in the corporate governance code, specifically **art. 3.C.1. e)** relating to a directorship held for more than nine out of the last twelve years;
- given the independence that director Costa has proven to possess as a result of his professionalism and experience;
- given that the same Director still meets all the other qualifications for independent provided for in the Code,

the Board recognized the independence of director Costa, despite having been a director in the company for nine out of the last twelve years, on the basis of the independent judgement he has consistently proven to possess, as well as the unbiased assessment of management's actions.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members, informing the Company of the following findings which will be included in the annual report on supervisory activities:

*"The Board of Statutory Auditors verified correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of the directors Pozza, Casalini, Costa, Donnini, Grieco, Cortesi and Tamburi. The assessment criteria were found to be adequate."*

On 16 December 2016 a meeting of the Independent Directors took place in order to discuss the Group's risk management and internal control system, in general, including the quality and the functioning of the corporate governance.

Based on the Regulations for the Board of Directors "once a Director has stated to qualify as independent, he/she must maintain this status for the duration of the mandate and, in the event he/she no longer qualifies as independent, will resign, without prejudice to the Board of Directors' power to co-opt the same Director immediately".

#### **4.7. Lead independent director**

Although without an active role in operations, the Chairman of the Company is a representative of the issuer's Parent Company. Consequently, in accordance with the Code, on 18 April 2016 the Board, during the first meeting following the appointment by the Shareholders' Meeting (held the same day), appointed Lorenzo Pozza, non-executive independent director, Lead Independent Director.

In an effort to enhance their contribution and the performance of the Board itself, Mr Pozza acts as a point of reference for the non-executive Directors (in particular the Independent Directors). The Lead Independent Director works with the Chief Executive Officer in order to ensure that the Directors receive adequate information in a timely manner. The Lead Independent Director may also call, at his/her own initiative or at the request of other directors, special meetings of just the independent directors to discuss issues considered of interest in relation to the operation of the Board or management of the business.

The Lead Independent Director is also Chairman of the Risk, Control and Sustainability Committee and the Supervisory Board.

## **5. Treatment of corporate information**

On 26 October 2016 the Board approved the updated "Procedures for the internal management and external disclosure of company documents and information, with particular reference to price sensitive information".

The purpose of these procedures is to govern the internal management and external disclosure of price sensitive information relating to Amplifon or its subsidiaries, and, in particular, the information deemed privileged under EU Regulation 596/2014 ("**MAR**") which, if publicly disclosed, could have a significant impact on the prices of financial instruments issued by the Company.

The procedures can be found on the corporate website in the section '*Governance/By-laws and procedures*'.

These procedures are linked to the procedures regarding the creation and updating of the Register of the persons with access to sensitive information and to those relating to the Code of conduct on Internal Dealing.

#### **5.1. Register of persons with access to price sensitive information**

In accordance with art. 115-*bis* of TUF and art. 18 of MAR, the Company has created a Register of persons who, given the activities they carry out or the role they hold in Amplifon or its subsidiaries, have or may have access to price sensitive information periodically or on a regular basis.

This Register is being maintained and updated by the Group's Legal and Corporate Affairs Officer.

## 5.2. Internal dealing code

During the meeting held on 26 October 2016, the Board of Directors approved the updated "Code of conduct on Internal Dealing". This Code explains the reporting and conduct obligations that shall be observed by relevant persons (and close associates of relevant persons) regarding transactions involving shares and other financial instruments issued by the Company.

Relevant Persons bound by the Code are defined as:

- (i) members of the Company's Board of Directors and Board of Statutory Auditors;
- (ii) any of the Company executives, though not one of the persons referred to in (i) above, who have regular access to price sensitive information linked directly or indirectly to the Company and the power to adopt management decisions that might affect the Company's development and future prospects;
- (iii) any other Group manager who is part of the Executive Leadership Team (as defined on the Company's website in the section "About Us/Leadership Team").

Close associates of the relevant persons are also bound by the same procedures.

Transactions of a total amount of more than €5,000 per calendar year must be reported and disclosed to CONSOB within three working days following the date on which the transactions were carried out (if the Relevant Person would like the Company to report the transaction to CONSOB, he/she must report the transaction to the Company within 1 working day).

Pursuant to the Code, Relevant Persons (and close associates of the relevant persons) are barred from carrying out any transactions, personally or for third parties, directly or indirectly, involving the Company's financial instruments, in the 30 (thirty) calendar days before the announcement of an interim financial report or a year-end report.

The Internal Dealing Code is published on the corporate website in the section "Governance/By-laws & Procedures".

## 6. Board committees (pursuant to art. 123-bis, par. 2, letter d), TUF)

On 18 April 2016 the Board of Directors appointed the Risk and Control Committee (as of 16 December 2016, the "Risk, Control and Sustainability Committee") and the Remuneration and Appointments Committee, while it was deemed unnecessary, for the moment, to appoint a Nominations Committee as the functions are attributed to the Remuneration and Appointments Committee as provided for in the comment to art. 4 of the Corporate Governance Code. As described in paragraph 4.3.2, committee members are to receive a supplementary fee in addition to the global remuneration approved by the shareholders. The Board also indicated that the committees were to perform their activities in accordance with the guidelines found in the Corporate Governance Code.

The committees are comprised of at least three non-executive Directors, the majority of which are independent, and minutes are taken at the meetings. In order to perform their duties, the committees may access all information and company systems as deemed necessary and they may invite non-members to attend the meetings.

The Risk and Control Committee, now the Risk, Control and Sustainability Committee, has a budget which is approved by the Board. The Risk, Control and Sustainability Committee and the Remuneration and Appointments Committee, at any rate, have the power to make expenditures if deemed necessary.

## 7. Nominations committee

The Board deemed that, for the moment, it was unnecessary to form a Nominations Committee, including in light of the outcome of the self-assessment process relating to the balanced composition of the Board itself and to its professional profile, attributing the functions to the Remuneration Committee as provided for in the comment to art. 4 of the Corporate Governance Code.

During the meeting held on 17 April 2013 the Board, therefore, resolved to form a Remuneration and Appointments Committee, in accordance with the requirements for the composition of both Committees, with the duties described in articles 5 and 6 of the Corporate Governance Code. More in detail:

- a) provide the Board of Directors with opinions about the size and composition of the Board of Directors and recommendations as to the professional profile of the Board members, as well as the maximum number of assignments as director and statutory auditor deemed compatible with serving on the Company's Board of Directors and relating to any exercise of the powers granted to the shareholders, in general, as well as any allowable exceptions to the non-compete clauses provided for in art. 2390 of the Italian Civil Code;
- b) propose candidates to act as Directors in the event it is necessary for the Board to co-opt a director to substitute an Independent Director;
- c) provide the Board of Directors with recommendations regarding succession plans for Group Executives with strategic responsibilities.

In 2016 the Remuneration and Appointments Committee met five times. Minutes of the meetings were taken regularly and the meetings lasted around two hours each. During three of these five meetings, organization of the transition in the Group's Top Management was discussed, as was the "Leadership Transformation & Talent Development" project dedicated to the development of managers and succession plans for top management. For more information about the duration of the meetings, the composition and functioning of the Committee, please refer to section 1.3 of the Remuneration Statement published in accordance with art. 123-ter of TUF.

## 8. Remuneration committee

Please refer to the **Remuneration Statement**

*Part 1*

*Chapter 1 "Governance Model"- section 1.1 "Parties involved".*



## 9. Directors' compensation

Please refer to the **Remuneration Statement**

*Part 1*

*Chapter 3 "Remuneration Policy 2017 Guidelines"*

- *Section 3.1 "Directors' Compensation";*
- *Section 3.2 "Remuneration of the Chief Executive Officer/General Manager";*
- *Section 3.3 "Remuneration of Executives with Strategic Responsibilities."*

*Chapter 4 "Main changes with respect to previous year".*

## 10. Risk, control and sustainability committee

### 10.1. Composition and duties of the Risk, Control and Sustainability Committee (pursuant to art. 123-bis, par. 2, letter d), TUF)

The Board of Directors appointed the Risk and Control Committee (as of 16 December 2016, the "Risk, Control and Sustainability Committee") during the meeting held on 18 April 2016. At 31 December 2016, the Risk, Control and Sustainability Committee was comprised of:

- Lorenzo Pozza, Chairman: non-executive Independent Director;
- Susan Carol Holland: non-executive Chairman;
- Alessandro Cortesi: non-executive Independent Director;
- Laura Donnini: non-executive Independent Director.

For more information about the composition of the Risk and Control Committee (as of 16 December 2016, the Risk, Control and Sustainability Committee) through 18 April 2016 please refer to the table in section 4.2. The current members were found to possess the experience deemed necessary to fulfil the committee's duties as outlined in the Code.

In order to perform its tasks, the Risk, Control and Sustainability Committee works with the Group's Head of Internal Audit, Paolo Tacciarina, the former Head of Internal Control, appointed as per the Chief Executive Officer's recommendation in March 2005.

Furthermore, in order to carry out its "internal audit" activities, the Committee may engage a leading consulting firm as a 'co-sourcer', under the supervision of the Head of Internal Audit.

As indicated in Chapter 6, the Risk, Control and Sustainability Committee submits a budget to the Board and, at any rate, has the power to make expenditures as deemed necessary.

In 2016 the Risk and Control Committee (as of 16 December 2016, the Risk, Control and Sustainability Committee) met on six occasions, distributed evenly throughout the year:

- 04 February;
- 24 February;
- 18 May;
- 26 July;
- 17 October;
- 13 December.

Minutes are taken regularly during the meetings and filed with the office of the Head of Internal Audit.

All the members of the Risk and Control Committee (as of 16 December 2016, the Risk, Control and Sustainability Committee) attended the meetings, which lasted on average around two hours. The Chairman of the Board of Statutory Auditors or who on his/her behalf also attended, as did the Head of Internal Audit.

Given the similarity of the topics addressed, the meetings of the Risk, Control and Sustainability Committee are held jointly with those of the Board of Statutory Auditors to the extent allowed by the specific responsibilities and assignments, as well as the respective agendas.

In order to encourage a reciprocal exchange of information and in light of discussions involving certain issues, the Chief Executive Officer was invited to attend the meetings; in certain instances the Group's CFO and Manager charged with preparing the company's financial reports was also invited to attend, as were a few consultants and Company managers.

In 2017 the Risk, Control and Sustainability Committee is expected to meet at least five times.

## **10.2. Functions of the Risk, Control and Sustainability Committee**

The Risk, Control and Sustainability Committee assists the Board of Directors with matters related to internal control and risk management, while also monitoring the adequacy and proper working of the internal control system.

In order to carry out the duties assigned, the Committee has access to all the corporate information and tools deemed necessary and may also avail itself of external consultants as per the terms and conditions established by the Board.

As part of a project linked to non-financial reporting, during the meeting held on 16 December 2016 the Board of Directors resolved to attribute the supervision of questions relating to corporate sustainability and the interaction with all the stakeholders to the Risk and Control Committee which was then given the new name of "Risk, Control and Sustainability Committee".

The Risk, Control and Sustainability Committee supports and assists the Board of Directors with the following activities:

- assessment of the internal control system and risk management, as well as approval of the periodic financial reports;
- definition of the guidelines for the internal control and risk management system and the means to be used to assess, manage and monitor the Company's main risks, as well as understand the extent to which these risks are compatible with the Company's strategic objectives;
- assessment of the adequacy of the internal control and risk management system with respect to the characteristics of the business and relative risk profile;
- approval of the work programme prepared by the Head of Internal Audit;
- understanding the main features of the risk control and management system, how to coordinate the relative activities of the persons involved, as well as the adequacy of the system as a whole;
- assessment, with the support of the Board of Statutory Auditors, of the findings in the independent auditors' report and letter of opinion;
- expressing an opinion regarding the appointment, dismissal, compensation and hiring of resources to be dedicated to Internal Audit;

- definition of the policies, strategic guidelines and plans of action relative to sustainability;
- examination of the non-financial reporting in compliance with the European Decree 2014/95.

In supporting the Board of Directors, the Risk, Control and Sustainability Committee:

- assesses, along with the Manager charged with preparing Company's financial reports, the independent auditors and the Board of Statutory Auditors, the appropriateness of the accounting standards adopted and their uniformity with a view to the preparation of the consolidated financial statements;
- expresses opinions about specific aspects relating to the identification of the main business risks;
- examines the periodic reports prepared by Internal Audit relative to the internal control and risk management system, as well as those deemed particularly relevant;
- monitors the independence, adequacy, efficacy and efficiency of Internal Audit;
- may request that Internal Audit perform audits of specific areas of operation, while notifying the Chairman of the Board of Statutory Auditors accordingly;
- reports to the Board of Directors, at least once every six months, on its activity and on the adequacy of the internal control and risk management system;
- supports, by carrying out preliminary investigations, the Board in its assessment and decisions relative to the management of risks inherent in prejudicial situations that the Board has been made aware of;
- (pursuant to the Board of Directors' resolution of 16 December 2016) supervises non-financial reporting.

In 2016 internal control, in line with the functions described above, was focused on the following activities:

- guidance and supervision of the internal audit activities particularly with regard to maintaining an adequate internal control system in the Group, as well as the constant monitoring of the main risks, debt and the financial position;
- overseeing the activities involving the application of the Internal Organizational Model pursuant to Legislative Decree 231/2001;
- providing support to the Manager charged with preparing the Company's financial reports;
- compliance with the Corporate Governance Code: monitoring regulatory changes and the functioning of the company's governance;
- other supervisory activities which, directly or indirectly, are aimed at obtaining information relating to the internal control system (including, for example, meetings with Company managers and consultants).

## II. Internal control and risk management system

The internal control system consists of the set of rules, procedures and organizational structures designed to ensure, through a proper identification, assessment managing and monitoring of the primary risks process, that the business is run safely, correctly and in line with the objectives agreed upon. This internal control system helps guarantee the safeguarding of the Company's assets, the efficiency and efficacy of the Company's operations, the reliability of financial information as well as compliance with laws and regulations.

The Board of Directors is responsible for the internal control system and toward this end works with the Risk, Control and Sustainability Committee, the Chief Executive Officer and the Head of Internal Audit. The Board of Directors provides the guidelines for the internal control and risk management system in a specific document which summarizes and describes the individuals involved, the different components and the mode of operation along with the criteria to be used to assess the system as a whole.

During the year the Board, based also on the contribution of the Risk and Control Committee (as of 16 December 2016, the Risk, Control and Sustainability Committee) and of the Head of Internal Audit, expressed a positive opinion on the adequacy, efficiency and actual functioning of the internal control system through internal audit's activities, meetings with the Company management, the Board of Statutory Auditors and the independent auditors; examined the reports presented by the Chairman of the Supervisory Board, pursuant to Legislative Decree 231/2001, whose purpose is also to verify that the internal control system works properly, albeit for different reasons.

It should also be noted that during the meeting held on 16 December 2016, the Board acknowledged and assessed the Group's risk map on the basis of a report entitled "Group Risk Reporting 2016", previously examined by the Risk and Control Committee (as of 16 December 2016, the Risk, Control and Sustainability Committee). The risk management system allows not only for the identification and assessment of the main events, occurrences and circumstances which could negatively impact the ability to achieve certain goals, but also defines the steps that need to be taken to address the Group's main risks.

**The main features of the existing internal control and risk management systems in relation to the financial reporting process pursuant to art. 123-bis, par. 2b), TUF** are discussed below.

### **Introduction**

Amplifon, in line with the most advanced management systems and best practices for the design and implementation of internal control and risk management systems, and the Corporate Governance Code issued by the Corporate Governance Committee of the Italian Stock Exchange to which it adheres, pays the utmost attention to the identification, assessment and management of risk.

Risk management is an ongoing activity which, based on the initial identification and assessment of the events that could negatively impact the ability of the Group and its subsidiaries to reach targets (particularly strategic goals), includes the definition of which steps need to be taken to respond to the risk, implementation and subsequent updates which take place at least once a year at a Group level.

Risk management allows for better informed business decisions, reduces the gaps between actual results and objectives and, lastly, nurtures a competitive advantage.

Risk management is entrusted to the Group's top management, Market Directors and local Management teams which are supported by the Group Risk and Compliance Officer who uses self-assessment techniques to gather information and assess risk, as well as finds ways to address and mitigate them.

The implementation of the proposed actions and the updating of the risks identified is supported and monitored through a continuous dialogue between Group management and local management, as well as through the Group Risk and Compliance Officer.

At least once a year, during the annual risk review, the Chief Executive Officer contributes directly to the mapping of the Group's risk with a view to identifying priorities in order to align risk with strategies.

For ease of assessment, risk factors are grouped into homogeneous categories: those originating outside the Company, those stemming from Amplifon's own organization and those of a more specifically financial nature.

The internal control and risk management system used to monitor the financial reporting process should, therefore, be viewed not as an independent system, but as part of the overall risk management apparatus which, as such, is continuously updated in order to guarantee an effective system that reflects the Group's organizational evolution and operational changes.

Below is a description of the main features of Amplifon's internal control and risk management systems in relation to the financial reporting process, i.e. the process leading to the preparation and public disclosure of the annual financial report and of the quarterly and half-year reports.

The Amplifon Group, through the work done by the Manager charged with preparing the Company's financial reports, has set up a system of administrative and accounting procedures for the preparation of the separate and consolidated financial statements and of the interim financial reports.

The system was designed and implemented with the help of a leading consulting firm and is based on the framework of the Committee of Sponsoring Organizations of the Treadway Commission (CoSO). According to that framework, the internal control system is viewed as a process involving all business functions and, therefore, provides reasonable assurance as to:

- the reliability, accuracy and timeliness of financial reporting;
- the effectiveness and efficiency of operations;
- compliance with laws and regulations.

The model adopted, after preliminary activities and initial implementation, calls for a set of recurring activities that ensure it is kept up to date, in good working order and applied correctly.

### **Main features of the existing internal control and risk management systems in relation to the financial reporting process**

#### ***Phases of the internal control and risk management processes in relation to the financial reporting process***

In the initial "scoping" phase, the single account lines of the consolidated financial statements were studied to identify material and significant accounts, their underlying processes, and the specific Group companies on which to develop and implement the model.

The outcome of the "scoping" phase is reviewed each year to make sure it is adequate and provides the necessary coverage in light of the ever changing perimeter of consolidation and the importance of the individual annual report items.

For purely operational reasons and to ensure the consistency and governance of the entire system, the model was implemented gradually: starting with Amplifon S.p.A. and then applied, little by little, to the other Group companies.

Within the individual companies the model was also implemented gradually, again for operational reasons only. It initially addressed certain cycles, and eventually reached full coverage of the processes defined as "in-scope". A simplified procedure, rather, was defined for immaterial companies, in which the Company has held an interest for at least two years, based on the implementation of a set of key controls. In the case of new acquisitions the set of key controls is implemented immediately, to then continue with full implementation of a full set of accounting procedures when the interests acquired are material.

For each Company and each process defined as “in-scope”, the following steps are in place:

- Narrative mapping of the process with identification of key risks and controls to ensure:
  - completeness, i.e. that all transactions and data are entered and processed within the systems so that they are duly reflected in the financial statements;
  - accuracy, i.e. that the transactions and data are entered and processed correctly and neutrally so that the financial statements provide precise, objective information;
  - cut-off, i.e. that all transactions and data are entered for the period to which they pertain so that the financial statements represent the Company’s and the Group’s real economic and financial situation with respect to the period under review;
  - promptness, i.e. that all transactions and data are processed speedily so that the financial statements can be prepared correctly by the legal deadline;
  - reliability, i.e. that the information managed is fair, consistent with the accounting standards used and in line with the legal and regulatory standards.
- Assessment of controls’ design with respect to each objective listed above; identification of principal gaps.
- Identification of actions and remediation processes in order to implement any compensating controls, or process modifications, ensuring proper control of the areas in question.
- Preparation of a risk control matrix that summarizes:
  - the sub-process;
  - the risk;
  - the objective of the control;
  - the description of the control;
  - the type of control (preventive, detective, manual, automatic);
  - the possibility of fraud risk, if any;
  - IT support for the control;
  - the frequency (daily, monthly, quarterly, yearly);
  - the person in charge of the control;
  - the gap identified in the control, if any.
- On the basis of the Risk Control Matrix, at least once a year and under the coordination and supervision of the Manager charged with preparing the Company’s financial reports, regular checks are performed by headquarter personnel, internal audit personnel or the external consultant to make sure the tests are being carried out.
- The initial narrative of the process then evolves into an actual Company procedure, which is reviewed at least once a year to make sure it reflects any changes that have occurred.
- The results of the tests, kept on file on the Group intranet and with the Consolidated Financial Statements function, and the progress reports of activities underway at individual Group companies, are analysed each quarter by a Steering Committee made up of:
  - the Manager charged with preparing the Company’s financial reports;
  - the Head of Internal Audit;
  - the Group Accounting & Finance Director.

When data is submitted for the periodic financial reports (quarterly, half-yearly and yearly), regardless of the materiality of the country or company, the Market Directors and the CFOs of each country send the parent company a letter confirming that the submitted data is complete, accurate, consistent with the accounting records, as well as compliant with the accounting standards used and with all laws and regulations, and that they are responsible for implementing an adequate internal control system to prevent or identify any fraudulent or erroneous reporting.

## Bodies and positions involved

*Board of Directors:* issued the regulations for the Manager charged with preparing the Company's financial reports and is brought regularly up to date on the activities of the Risk, Control and Sustainability Committee.

*Manager charged with preparing the Company's financial reports:* through a specially appointed team, plays a proactive role in the ongoing implementation and progressive maintenance of the internal control and risk management systems in relation to the financial reporting process, and periodically checks the status of operations and tests' results. As part of the Steering Committee, evaluates possible critical situations and, together with the Head of Internal Audit and the Group Accounting & Finance Director, defines the necessary actions to be taken.

*Head of Internal Audit:* works with the Manager charged with preparing the Company's financial reports on the ongoing implementation and progressive maintenance of the internal control and risk management systems in relation to the financial reporting process, updates the Steering Committee on tests performed at the request of and to support the Manager charged with preparing the Company's financial reports, and periodically checks the status of operations and the results of tests performed by external consultants or headquarter personnel. As part of the Steering Committee, evaluates possible critical situations together with the Manager charged with preparing the Company's financial reports and the Group Accounting & Finance Director. Reports periodically to the Risk, Control and Sustainability Committee about the work carried out.

*Group Accounting & Finance Director:* coordinates the implementation and progressive maintenance of the internal control and risk management systems in relation to the financial reporting process, oversees testing at foreign affiliates, and updates the Steering Committee on the status of operations and tests' results. As part of the Steering Committee, evaluates possible critical situations together with the Manager charged with preparing the Company's financial reports and the Head of Internal Audit and defines the necessary actions to be taken.

*Market Directors and Finance & Control Directors of the subsidiaries:* oversee proper implementation of the administrative and accounting procedures defined in the model and, upon submission of data for the periodic financial reports (quarterly, half-yearly and yearly), regardless of the materiality of the Country or the company, send the parent company a letter confirming that the submitted data is complete, accurate, consistent with the accounting records and compliant with the accounting standards used and with all laws and regulations, and confirming that they are responsible for implementing an adequate internal control system to prevent or identify any fraudulent or erroneous reporting.

*Company-level manager:* a manager has been appointed, at each material subsidiary, to serve as the focal point for the implementation and ongoing maintenance of the model.

*Process owner:* for each procedure, a process owner is appointed to oversee its ongoing maintenance.

## II.1. Executive director in charge of the internal control and risk management system

The Chief Executive Officer oversees the planning and operation of the internal control and risk management system (*Sistema di Controllo Interno e di Gestione dei Rischi* or 'SCIGR'), along with the implementation of the system and identification of the primary business risks.

The responsibilities of the Director in charge of the SCIGR are outlined in the document "Board of Directors – Role, Organization and Mode of Operation" and accurately reflect the relative provisions found in the Corporate Governance Code (application criteria 7.C.4).

During the year the Chief Executive Officer, in his capacity as director in charge of the SCIGR, established

channels of communication and worked with the Head of Internal Audit and the Risk, Control and Sustainability Committee.

As mentioned above, the Chief Executive Officer works with the Head of Internal Audit and the Company's divisions in order to identify the primary business risks and evaluates the procedures and rules which comprise the internal control system including with regard to the operating conditions, as well as laws and regulations.

## **II.2. Head of internal audit**

The Board of Directors, as per the Chief Executive Officer's recommendation, appointed the Group Risk and Compliance Officer, Paolo Tacciarina, the Company's Head of Internal Audit. The proposal was first submitted to the Risk, Control and Sustainability Committee.

The Head of Internal Audit's compensation was established based on company policies and on the Remuneration and Appointments Committee's recommendations and approved by the Board of Directors. The Head of Internal Audit reports to the Board of Directors and reports on his activities to the Risk, Control and Sustainability Committee which oversees his activities, monitoring the independence, adequacy, efficacy and efficiency of his operations.

The Head of Internal Audit also interacts with the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System in order to ensure that his duties are fulfilled consistently and comply with the requirement for independence as per the Company's corporate governance system and the Corporate Governance Code.

The Head of Internal Audit is not responsible for any operations and does not report to the head of any operational divisions.

The Head of Internal Audit must verify that the internal control and risk management system is adequate, fully operational and functional:

- carries out and facilitates the activities needed to identify, assess and manage the Company's risks;
- prepares an internal audit plan, which he presents to the Risk, Control and Sustainability Committee and, subsequently, to the Board of Directors, for the verification of the work being carried out by the Group's companies in order to ensure that the company's risks are being properly monitored in line with the best practices, including the recommendations found in the Corporate Governance Code;
- meets periodically with the Board of Statutory Auditors and the Independent Auditors;
- oversees and facilitates compliance with the Corporate Governance Code and the functioning of the corporate governance;
- provides autonomous and independent assistance to the Manager charged with preparing company's financial reports.

Periodically prepares reports on the work carried out which are presented to the Risk, Control and Sustainability Committee, the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System, in addition to assisting the Risk, Control and Sustainability Committee with the preparation of the periodic reports for the Board of Directors on the internal control system and risk management.

Pursuant to the Supervisory Board Regulations, the Head of Internal Audit is also an active member of the Supervisory Board and works to support the activities carried out.

In order to fulfil his duties, the Head of Internal Audit has access to all the information deemed useful, as well as the resources and necessary means guaranteed in a specific budget.



The Internal Audit Plan, approved by the Board of Directors, is prepared by the Head of Internal Audit along with an internal resource (*Corporate Risk & Compliance Senior Specialist*) and, for specific projects, a leading consulting firm.

The Head of Internal Audit works on internal orientation, planning, raising awareness and supervision, while the operations are carried out by the consultants who guarantee a direct and professional presence in all the different countries where the Group is active.

The Internal Audit Plan is prepared based on the results of the Group's risk mapping, the indications provided by the managers and any organizational changes that have taken place, and also includes the follow-up activities relating to the work carried out in prior years.

### **II.3. Organizational model pursuant to Legislative Decree 231/2001**

On 14 March 2005 the Board of Directors resolved to adopt an Internal Organizational Model ("the Model") in accordance with the recommendations of Legislative Decree 231/2001 which has made companies administratively responsible in criminal proceedings for certain types of crimes committed by directors, managers or employees in the interests of or to the benefit of the companies themselves.

In 2016 the Model was updated to reflect new legislation relating to alleged offenses and changes in the Company's organizational structure. The updated version of the Model was examined by the Supervisory Board and approved by the Board of Directors on 26 July 2016.

The Model was prepared in order to prevent the occurrence of the crimes envisaged under the Decree and is based on the guidelines for Organizational Models issued by Confindustria (the Federation of Italian Industrialists) and other industry associations.

The Model consists of a general and a special part. The general part sets out the guiding principles underlying the conduct of company transactions, describes how the Supervisory Committee is formed and works, as well as the applicable penalties. The special part includes the procedures to be used to monitor the Company's activities deemed "sensitive" pursuant to Legislative Decree 231/2001, as well as some of the procedures to be used for the timely discipline of some of these activities.

The model's adoption is a way for fostering the conduct of company activities in accordance with the principles of fairness and transparency in order to safeguard the company's image, the work of its employees and partners, while at the same time fostering the achievement of greater efficiency.

The Organizational Model is, by definition, dynamic and for this reason is updated each year to reflect regulatory and organizational changes, as well as with regard to any violations. The application of the model is also monitored.

In the current version the most sensitive activities include crimes against public administrations, corporate crimes and market abuse.

The Board of Directors appointed the Supervisory Board on 18 April 2016. The Supervisory Board, comprised of two independent Directors and the Head of Internal Audit, met six times:

- 24 February;
- 10 May;
- 22 June;
- 26 July;
- 27 October;
- 13 December.

The Supervisory Board and the Board of Statutory Auditors maintained an open channel of communication in order to facilitate a constant exchange of information, as well as the participation of the Statutory Auditors in periodic meetings, as deemed opportune.

#### **II.4. Independent auditors**

The Shareholders' Meeting held on 21 April 2010 resolved to grant the assignment for the financial audit of the parent company and consolidated financial statements of Amplifon S.p.A. to the company PricewaterhouseCoopers S.p.A. for the nine-year period 2010-2018.

#### **II.5. Manager charged with preparing the company's financial reports**

The Company's Articles of Association call for the Board of Directors to appoint a Manager charged with preparing Company's financial reports, subject to the unbinding opinion of the Board of Statutory Auditors. The Manager charged with preparing Company's financial reports must possess certain professional requisites or precisely at least three years of management experience in the field of accounting, finance and control with the Group's companies or other listed companies.

In the meeting held on 25 June 2007 the Board, after having received a favourable opinion from the Board of Statutory Auditors, appointed the Group's CFO, Ugo Giorcelli, Manager charged with preparing Company's financial reports and approved the "Rules for the Manager charged with preparing Company's financial reports" in the subsequent meeting held on 12 September 2007. These rules govern the responsibilities, the activities, the relationships with other corporate divisions, the powers and methods of the Manager charged with preparing Company's financial reports in accordance with proven best practices.

#### **II.6. Coordination among the personnel involved in the internal control and risk management system**

The Board of Directors prepares and approves the document "Guidelines for the Internal Control and Risk Management System" which, in addition to indicating the objectives of the internal control and risk management system, also describes the personnel involved, inside and outside of the Company, and describes the responsibilities and procedures for interaction.

The Director in charge of the Internal Control and Risk Management System is in charge of implementing the Board of Directors' guidelines.

## **12. Directors' interests and related party transactions**

During the meeting held on 27 July 2016, the Board of Directors approved the new "Regulations for related party transactions" issued pursuant to and in accordance with CONSOB Regulation n. 17221 of 12 March 2010, designed to govern the definition, approval and execution of related party transactions entered into by the Company or its wholly owned Italian and foreign direct and indirect subsidiaries.

The Regulations adopted by the Board of Directors are designed to ensure the real transparency, as well as the substantive and procedural fairness, of all related party transactions in accordance with current norms and regulations and, in particular, with CONSOB Regulations.

The Regulations are published on the company's website in the section "Governance/By-laws and Procedures".

Please note that the Company, in light of its characteristics, structure, size, business and internal organization deemed it opportune to:

- not apply the procedures to other relevant parties;
- not define materiality thresholds lower than those indicated in the CONSOB Regulations for the definition of material related party transactions;
- not let the Shareholders' Meeting approve transactions underway in the event the Independent Directors' Committee issues a negative opinion;
- without prejudice to mandatory financial and accounting disclosures called for under applicable laws and regulations, not apply the Regulations to:
  - decisions relating to Stock Option Plans approved during the Shareholders' Meetings in accordance with art. 114-*bis* of the TUF;
  - resolutions relating to the compensation of members of the Board of Directors and the Directors holding particular offices, Executives with strategic responsibilities, as long as: (i) the Company has adopted a compensation policy; (ii) a committee comprising exclusively non-executive directors, primarily independent, was involved in the definition of the compensation policy; (iii) a report on the compensation policy was presented to the shareholders for approval; and (iv) the compensation assigned is in line with that policy;
  - ordinary transactions conducted in accordance with market or standard conditions;
  - the transactions entered into between the Company and its subsidiaries, including jointly controlled, or between affiliates, as long as no related party of Amplifon has a significant interest in the subsidiary or affiliate involved in the transaction;
  - the transactions which must be completed in order to comply with the supervisory authority's instructions;
  - immaterial transactions, meaning those related party transactions representing a total of not more than €500,000, which, given the size of the Company, do not involve any appreciable risk for the investors of the Company itself;
- regulate the adoption of framework resolutions defining the characteristics and ensuring that complete information about their implementation is provided to the Board at least quarterly;
- apply the procedures to urgent transactions.

Pursuant to the Regulations, the Company adopted the operational procedures needed to select and manage the related party transactions and, similarly, the Board of Directors defined its own internal regulations governing the approval and execution of the transactions in which a director holds an interest, either directly or indirectly (through third parties).

### 13. Appointment of statutory auditors

As per art. 24 of the Company's Articles of Association, the Board of Statutory Auditors consists of three standing auditors and two alternate auditors, in possession of the requisites, including professional and personal characteristics, as well as those relative to cumulative appointments and laws governing gender equality.

When forming the Board of Statutory Auditors, if application of the gender equality quota criteria

does not result in a whole number, the number of candidates belonging to the least represented gender shall be rounded up.

More in detail, with regard to the professional requisites, pursuant to article 1, paragraph 3 of Ministerial Decree n. 162 dated 30 March 2000 in reference to paragraph 2, letters b) and c) of the same article 1, strictly related to the company's activities is to be construed as related to commercial and corporate law, corporate finance, finance, statistics, the fields of medicine and electronic engineering, as well as like or analogous disciplines while sectors in which the company operates are to be construed as wholesale and retail production and commercialisation of the instruments, devices and products referred to in article 2 of the Articles of Association.

The ordinary Shareholders' Meeting appoints the Board of Statutory Auditors and determines its remuneration. The minority is entitled to elect one Statutory Auditor and one Alternate Auditor. The Board of Statutory Auditors is appointed, with the exception of what is specified in the second to last paragraph of art. 24 of the Articles of Association, on the basis of lists submitted by the shareholders or groups of shareholders who own at least 1% of the shares with voting rights (percentage defined yearly in a CONSOB resolution). The lists, where the candidates are listed in sequential numerical order, must be filed at the company's registered office at least twenty five days before the date set for the Shareholders' Meeting. The Company will publish the lists on its website, as well as in accordance with the other modalities indicated by CONSOB in the regulation issued pursuant to art. 147-ter, paragraph 1-bis of Legislative Decree 58/1998 at least twenty one days before the Shareholders' Meeting.

Each shareholder who presents a list, or is party to a list, must present the certification issued by a licensed intermediary entitling the shareholder to present the list along with the lists or within the timeframe in which the Company must publish the lists under the law.

With regard to the election of a minority Statutory Auditor, if several lists have obtained the same number of votes, the list presented by the majority of shareholders shall prevail.

In the event two or more lists which are not connected, including indirectly, with the shareholders who presented or voted for the other, obtain the same number of votes, a run-off election is held between these lists with the participation of all the shareholders present at the Shareholders' Meeting. The candidates on the list that obtain the simple majority of votes will be elected.

If a standing auditor needs to be replaced due to death, resignation or expiration of the term, the alternate auditor belonging to the same list as the previous auditor takes over, without prejudice to the laws in effect governing gender equality.

## **14. Composition and role of the board of statutory auditors (pursuant to art. 123-bis, par. 2, letter d), TUF)**

As per the Articles of Association, the Board of Statutory Auditors is comprised of three Standing Auditors and two Alternate Auditors who remain in office for three financial years and may be re-elected.

The Board of Statutory Auditors, appointed on 21 April 2015 and in office through the Shareholders' Meeting to approve the 2017 annual report, consists of the following members:

Name and date of birth	Office held	In office since	List	% attend. B.S.A.	Other appointments
Raffaella Pagani 21/06/1971	Chairman	<u>21/04/2015</u> 21/04/2015	m	100%	13
Maria Stella Brena 31/03/1962	Standing	<u>21/04/2015</u> 18/04/2012	M	100%	16
Emilio Fano 19/01/1954	Standing	<u>21/04/2015</u> 18/04/2012	M	100%	12
Alessandro Grange 11/09/1950	Alternate	<u>21/04/2015</u> 21/04/2015	m	--	10
Claudia Mezzabotta 03/02/1970	Alternate	<u>21/04/2015</u> 18/04/2012	M	--	17

#### Key

**Office held:** Chairman, Standing Auditor, Alternate Auditor.

**List:** indicated as M/m depending on whether the statutory auditor was elected on a Majority list or a minority list (art. 144-*decies* of the Issuers' Regulations).

**% attend. B.S.A.:** indicates the statutory auditor's attendance record in percentage terms at meetings of the Board of Statutory Auditors (the calculation of this percentage reflects the number of meetings attended by the statutory auditor relative to the number of meetings of the Board of Statutory Auditors held during the year or after the statutory auditor's appointment or through the termination date).

**Other appointments:** indicates the total number of appointments held in companies described in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code.

The Statutory Auditors possess the requisite standing, professional abilities and independence provided for by law, the Articles of Association and the Corporate Governance Code, as verified by the Board of Statutory Auditors upon appointment and thereafter on annual basis.

The Board of Statutory Auditors met six times during the year. The meetings lasted, on average, more than two hours.

The Board of Statutory Auditors fulfils its duties in accordance with the standards of professionalism and independence provided for by law, the Articles of Association and the regulations for Corporate Governance to which the issuer adheres.

Through a constant exchange of information regarding the independent auditors' activities, the Board of Statutory Auditors verifies that the independent auditors possess the requisite of independence in existence at the time of their appointment.

The Chairman of the Board of Statutory Auditors or a delegated statutory auditor attended all the meetings of the Risk, Control and Sustainability Committee and the Remuneration and Appointments Committee and coordinated his supervisory activities through the exchange of information and updates provided by the Head of Internal Audit. There was also a constant exchange of information with the Supervisory Board. Furthermore, as mentioned in chapter 10 above, given the similarity of the topics addressed, the meetings of the Risk, Control and Sustainability Committee are held jointly with those of the Board of Statutory Auditors to the extent allowed by the specific responsibilities and assignments, as well as the respective agendas. The Board of Statutory Auditors, in its capacity as "Internal Control and Internal Audit Committee", carried out all of the supervisory activities referred to in art. 19 of Legislative Decree 39/2010.

The Board of Statutory Auditors plans to meet at least seven times in 2017. The first two meetings took place on 27 January and 23 February.

## 15. Relations with shareholders

The Board of Directors works to ensure that shareholders receive relevant information and documentation in a timely manner. Toward this end, the Company constantly updates its website where there is a specific section dedicated to "Governance" and a very detailed "Investors" section. Both sections are easily reached from the corporate website's home page.

Mrs. Francesca Rambaudi, currently responsible for Investor Relations, manages the flow of information provided to shareholders, financial analysts and institutional, as well as retail, investors in full compliance with the standards of transparency and equal treatment of all parties established in the rules for corporate disclosures. In order to fulfil her duties, the Investor Relator is supported by an internal resource and an external company specialized in media relations.

The Company actively endeavours to provide investors, the financial market and the press with adequate information in compliance with the law and the applicable regulations, particularly with regard to the handling of price sensitive information. Toward this end the company regularly issues press releases, meets periodically with institutional investors and the financial community, organizes conference calls and constantly updates the corporate documentation made available on its website.

## 16. Shareholders' meetings (pursuant to art. 123-bis, par. 2, letter c), TUF)

The Shareholders' Meetings are regulated by a specific set of regulations which was approved by the Shareholders' Meeting held on 24 April 2007 and which can be found on the Company's website in the section "Governance/By-laws and procedures". The Articles of Association and the Shareholders' Meetings Regulations govern all aspects of the Shareholders' meetings in accordance with current norms and regulations.

With the exception of those powers attributed exclusively to shareholders and unless resolved otherwise by shareholders upon appointment, the Board of Directors is vested with the broadest powers for the company's ordinary and extraordinary administration and may perform all activities deemed necessary to achieve the company's purpose (please also refer to paragraph 4.3.2 above).

The above mentioned Regulations guarantee each shareholder's right to take the floor and participate in discussions.

During the Shareholders' meeting the Board reported on its activities in order to ensure that the shareholders were adequately informed and that they might help contribute to informed resolutions.

For information on the ownership structure, the share capital and the characteristics of any securities issues please refer to Chapter 2.

## **17. Other corporate governance practices (pursuant to art. 123-*bis*, par. 2, letter a), TUF)**

No other Corporate Governance practices have been adhered to other than those described above.

## **18. Changes since year end**

During the meeting held on 28 February 2017, the Board of Directors, following the change of the Group's CFO, appointed Gabriele Galli to act as the Manager charged with preparing Company's financial reports, replacing Ugo Giorelli who tendered his resignation from Amplifon S.p.A. on the same date.

## Annex I

### List of Amplifon S.p.A.'s directors' appointments in other companies at 31 December 2016<sup>1</sup>

Name	Office held in Amplifon S.p.A.	Other companies	Office held
<b>Susan Carol Holland</b>	Chairman	Amplifin S.p.A.	Deputy Chairman
<b>Enrico Vita</b>	Chief Executive Officer	Elica S.p.A.	Independent Director
<b>Andrea Casalini</b>	Independent non-executive Director	Eataly Net s.r.l. Gruppo Mutuonline S.p.A. Assist S.p.A.	Chief Executive Officer Independent Director Director
<b>Alessandro Cortesi</b>	Independent non-executive Director	Alitalia SAI S.p.A. Conbipel S.p.A. Brugola Industriale S.p.A. Takeda Italia S.p.A.	Statutory Auditor Director Director Statutory Auditor
<b>Maurizio Costa</b>	Independent non-executive Director	F.I.E.G. Federazione Italiana Editori Giornali Mediobanca S.p.A. Audipress	Chairman Director Chairman
<b>Laura Donnini</b>	Independent non-executive Director	Università Cà Foscari Venezia News 3.0	Independent Director Non-executive Chairman
<b>Maria Patrizia Grieco</b>	Independent non-executive Director	Enel S.p.A. Ferrari N.V. Anima Holding Maxxi Foundation Bocconi University Assonime	Chairman Director Director Director Director Member of the Steering Committee
<b>Lorenzo Pozza</b>	Independent non-executive Director	Ariston Thermo S.p.A. Assicurazioni Generali S.p.A. Bracco Imaging S.p.A. Gas Plus S.p.A. Leonardo & Co. S.p.A. Merloni Holding S.p.A. Rudra S.p.A. Angel Lab S.p.A.	Chairman of the Statutory Board Statutory Auditor Statutory Auditor Chairman of the Statutory Board Statutory Auditor Statutory Auditor Director Director and Deputy Chairman
<b>Giovanni Tamburi</b>	Independent non-executive Director	Tamburi Investment Partners S.p.A. Asset Italia S.p.A. Azimut Benetti S.p.A. Beta Utensili S.p.A. Eataly S.r.l. Furla S.p.A. iGuzzini illuminazione S.p.A. Interpump Group S.p.A. Prysmian S.p.A. Roche Bobois Group	Chairman and CEO Chairman and Director Director Director Director Director Director Director Director Member of the Surveillance Committee

<sup>1</sup> The offices held with listed companies or, at any rate, of note are listed based on the information provided by the Directors.





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