



**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE  
AT 31 DECEMBER 2020**



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# **REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE AT 31 DECEMBER 2020**

**(in accordance with art. 123-*bis* TUF)**

Issuer: Amplifon S.p.A.

Website: <https://corporate.amplifon.com>

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# CONTENTS

<b>I. ISSUER PROFILE</b>	<b>4</b>
<b>2. INFORMATION ON OWNERSHIP STRUCTURE</b> <b>(pursuant to art. 123-bis, par. 1 TUF) at 31 December 2020</b>	<b>5</b>
a) Structure of share capital (pursuant to art. 123-bis, par. 1, letter a), TUF)	5
b) Share transfer restrictions (pursuant to art. 123-bis, par. 1, letter b), TUF)	5
c) Significant interests in share capital (pursuant to art. 123-bis, par. 1, letter c), TUF)	5
d) Shares with special rights (pursuant to art. 123-bis, par. 1, letter d), TUF)	5
e) Employee share ownership: exercise of voting rights (pursuant to art. 123-bis, par. 1, letter e), TUF)	6
f) Restrictions on voting rights (pursuant to art. 123-bis, par. 1, letter f), TUF)	6
g) Shareholders' agreements (pursuant to art. 123-bis, par. 1, letter g), TUF)	6
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)	6
i) Authority to increase share capital and authorizations to buy back shares (pursuant to art. 123-bis, par. 1, letter m), TUF)	6
j) Co-ordination and direction activities (pursuant to art. 2497 et seq. of the Italian Civil Code)	7
<b>3. COMPLIANCE (pursuant to art. 123-bis, par. 2, letter a), TUF</b>	<b>8</b>
<b>4. BOARD OF DIRECTORS</b>	<b>8</b>
4.1. Appointment and replacement (pursuant to art. 123-bis, par. 1, letter l), TUF)	8
4.2. Composition (pursuant to art. 123-bis, par. 2, letter d), TUF)	10
4.3. Role of the Board of Directors (pursuant to art. 123-bis, par. 2, letter d), TUF)	13
4.4. Executive Bodies	17
4.5. Other Executive Directors	17
4.6. Independent directors	17
4.7. Lead Independent Director	18
<b>5. TREATMENT OF CORPORATE INFORMATION</b>	<b>19</b>
5.1. Register of persons with access to price sensitive information	19
5.2. Internal Dealing code	19
<b>6. BOARD COMMITTEES</b> <b>(pursuant to art. 123-bis, par. 2, letter d), TUF)</b>	<b>20</b>

<b>7. NOMINATIONS COMMITTEE</b>	<b>21</b>
<b>8. REMUNERATION COMMITTEE</b>	<b>21</b>
<b>9. DIRECTORS' COMPENSATION</b>	<b>22</b>
<b>10. RISK, CONTROL AND SUSTAINABILITY COMMITTEE</b>	<b>22</b>
10.1 Composition and duties of the Risk, Control and Sustainability Committee (pursuant to art. 123- <i>bis</i> , par. 2, letter d), TUF)	22
10.2 Functions of the Risk, Control and Sustainability Committee	23
<b>II. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM</b>	<b>24</b>
11.1. Executive Director in charge of the internal control and risk management system	28
11.2. Head of Internal Audit	28
11.3. Organizational model pursuant to legislative decree 231/2001	29
11.4. Independent auditors	30
11.5. Manager charged with preparing the company's financial reports	31
11.6 Coordination of the personnel involved in the Internal Control and Risk Management System	31
<b>12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS</b>	<b>31</b>
<b>13. APPOINTMENT OF STATUTORY AUDITORS</b>	<b>32</b>
<b>14. COMPOSITION AND ROLE OF THE BOARD OF STATUTORY AUDITORS (pursuant to art. 123-<i>bis</i>, par. 2, letter d e d-<i>bis</i>), TUF)</b>	<b>34</b>
<b>15. RELATIONS WITH SHAREHOLDERS</b>	<b>35</b>
<b>16. SHAREHOLDERS' MEETINGS (pursuant to art. 123-<i>bis</i>, par. 2, letter c), TUF)</b>	<b>36</b>
<b>17. OTHER CORPORATE GOVERNANCE PRACTICES (pursuant to art. 123-<i>bis</i>, par. 2, letter a), TUF)</b>	<b>36</b>
<b>18. CHANGES SINCE YEAR END</b>	<b>37</b>
<b>19. COMMENTS ON THE LETTER DATED 22 DECEMBER 2020 RECEIVED FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE</b>	<b>37</b>
<b>ANNEX I</b>	<b>38</b>

# REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE AT 31 DECEMBER 2020

(in accordance with art. 123-*bis* TUF)

## I. ISSUER PROFILE

Amplifon S.p.A., an Italian multinational company with its registered office in Milan, is global leader in the hearing care retail market. Amplifon offers hearing products and services based on a highly personalized and innovative approach developed thanks to the strong expertise of its people and increasingly advanced technologies which aim to provide each customer with the best solution and an outstanding experience.

Founded in 1950, Amplifon is active in 27 Countries and 5 continents thanks to the professionalism of about 17,500 employees and collaborators, with a distribution network of approximately 11,400 points of sale which comprises corporate stores, franchises, shop-in-shops and corners.

The Company's purpose is to empower individuals with hearing disorders to rediscover all the emotions of sound through innovation, focus on the customers' needs and thanks to the dedication of its people. Amplifon, leveraging on its global positioning and 70 years of experience, strives to improve the daily life of millions of people, valuing and investing in its talents, supporting the communities in which it operates and adhering to the highest legal, ethical and moral standards: these are the four areas the Company is committed to in order to create shared value.

Amplifon shares have been listed on Borsa Italiana's Electronic Stock Exchange (MTA) of the Italian Stock Exchange since June 27th, 2001 and in 2008 the Company became part of the STAR segment (the segment dedicated to quality SMEs). Amplifon has been included in the FTSE MIB index since 2018, in Stoxx Europe 600 index since June 2019 and also in MSCI Global Standard index since November 2020.

The structure of the Company's corporate governance is informed by the recommendations and provisions of the Corporate Governance Code, to which the Company adheres since the first version of 2001, promptly aligning itself with subsequent updates. The Corporate Governance rules derive directly from the standards and procedures adopted by the Company which it is committed to complying with in order to ensure that each transaction is carried out effectively and with maximum transparency.

Amplifon S.p.A. is organized 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.

In accordance with the law, financial audit activities are assigned to a specialized auditing firm, listed in the special register kept by CONSOB, selected by shareholders.

## 2. INFORMATION ON OWNERSHIP STRUCTURE

(pursuant to art. 123-*bis*, par. 1 TUF)

AT 31 DECEMBER 2020

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

The share capital at 31 December 2020 amounted to €4,527,772.40 broken down in 226,388,620 ordinary shares with a nominal value of €0.02 each; 1,602,646 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 and 224,785,974 of which with voting rights, including 129,078,503 with simple voting rights and 95,707,471 with increased voting rights (two votes for each share) as described in greater detail in paragraph d) below.

There were no shares with limited voting rights at 31 December 2020.

	n. of shares	% of share capital	Listed (indicate the markets) / non listed	Rights and obligations
Ordinary shares	226,388,620	100%	FTSE MIB	
Of which Shares with limited voting rights	-			
Of which Shares with increased voting rights	95,707,471	42.276%		Two votes per share
Of which Shares with no voting rights	1,602,646	0.708%		Treasury shares

The Company, as from financial year 2001, has implemented Performance Stock Grant Plans: the description of these plans can be found in the notes to the accounts of the annual report in the section 'Performance Stock Grants', in the informational document prepared in accordance with art. 84-*bis* of the Issuers' Regulations and in the Remuneration Statement prepared as per art. 84-*quater* of the Issuers' Regulations. These documents are available on the Company's website in the sections 'Investors/Financial Reports' and 'Governance/Remuneration'.

There were no instruments granting subscription rights of newly issued shares in existence at 31 December 2020.

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

No share transfer restrictions were in effect at 31 December 2020.

### 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 2020:

Declarant	Direct shareholder	% of ordinary capital	% of voting capital at 31.12.2020	% of voting capital excluding treasury shares at 31.12.2020
Holland Susan Carol	Ampliter S.r.l.	42.230	59.364	59.661

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

At 31 December 2020 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 as allowed under art. 127-*quinquies* of Legislative Decree n. 58/98 - 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 2020 n. 95,707,471 shares or 42.276% of the share capital. All the shares

held by the majority shareholder Ampliter S.r.l. (n. 95,604,369 or 42.230% of the share capital) were registered and granted increased voting rights. The majority shareholder Ampliter S.r.l., therefore, holds 59.364% of the shares with voting rights at 31 December 2020 (59.661% of the shares with voting rights net the treasury shares for which the voting rights have been suspended).

**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 2020, 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).

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

The shareholders' agreement stipulated on 27 September 2017 between Asset Italia 2 S.r.l., a subsidiary of Asset Italia S.p.A., and Amplifin S.p.A., the majority shareholder of Ampliter S.r.l., the parent company of Amplifon S.p.A., expired on 24 September 2020 and was not renewed as disclosed in press releases issued by Ampliter S.r.l. and Tamburi Investment Partners S.p.A. on 25 September 2020, in accordance with the mandatory disclosures called for in art. 122, paragraph 1, 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 2020 the following loans 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 counterparties of same and the latter may request repayment:

- a EUR 350 million "Eurobond" maturing in 2027, reserved exclusively for institutional investors, issued by Amplifon S.p.A. in 2020;
- an unsecured syndicated bank loan negotiated with five top-tier banks for the acquisition of GAES with a residual outstanding of EUR 199 million at 31 December 2020;
- the residual debt of the private placement made by the US subsidiary expiring between 2023 and 2025, which amounted to USD 110 million at 31 December 2020;
- eight bank loans amounting to EUR 463 million, of which EUR 24 million expiring in 2021, EUR 86 million expiring in 2022, EUR 81 million expiring in 2023, EUR 189 million expiring in 2024 and EUR 83 million expiring in 2025;
- six irrevocable lines of credit with top-tier banking institutions amounting to EUR 230 million, of which EUR 75 million expiring in 2021, EUR 30 million in 2022 and EUR 125 million in 2025. These lines were not utilized in 2020.

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

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

No authorizations to increase share capital or issue other securities were in place at 31 December 2020, as the authorizations granted in prior years (namely the power granted to the Board of



Directors during the Shareholders' Meeting held on 16 April 2014 for a period of five years as of the authorization date) had expired as at today's date.

#### **i.2) Authorizations to buy back shares**

On 24 April 2020 shareholders, after having revoked the authorization granted on 17 April 2019, 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, as well as any free stock grant plans;
- (ii) use treasury shares as a means of payment in the acquisition of companies or the exchange of equity interests, or pursue the purposes permitted under the law, including those contemplated in EU Regulation 596/2014, as well as pursuant to any market practices allowed by CONSOB.

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 24 April 2020 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 2020 Amplifon held a total of n. 1,602,646 ordinary shares, equal to 0.708% of the share capital; n. 3,269,087 shares were held at the beginning of the year, while a total of n. 1,666,441 shares were transferred to directors, employees and/or partners as part of the stock-based incentive plans. No treasury shares were purchased during the year.

#### **j) 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, Chairman of the Board of Directors of the direct Parent Company Ampliter. S.r.l. and Chairman of the Board of Directors 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 co-ordination activities were found to exist in 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 version of the Corporate Governance Code approved by the Corporate Governance Committee in July 2018. This Report, therefore, refers to this version of the Code. The Report prepared relative to 2021 will refer, rather, to the new Corporate Governance Code issued in January 2020.

The Corporate Governance Code is available on the Corporate Governance Committee's website at <https://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corporategovernance.htm>

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 a minimum of 1% of the share capital (as determined in the executive resolution n. 44 issued by the director of CONSOB's corporate governance division on 29 January 2021).

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, based on the criteria envisaged by the *pro-tempore* regulations and rules.

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 an independent director leaves office during the year, for whatever reason, the Board will attempt, to the extent possible, to appoint the first of the non-elected independent directors included in the exiting director's 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, before its planned expiry.

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.

Furthermore, as mentioned in Chapter 7, each year the Remuneration and Appointments Committee discusses the plan for the succession of the sole Executive Director in great detail as part of the analysis for the succession of executives with strategic responsibilities and the General Managers of the subsidiaries.

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

During the Shareholders' Meeting held on 17 April 2019 shareholders appointed the Board of Directors, the composition of which did not change; consequently, at 31 December 2020, the Board of Directors was comprised as follows:

Name and date of birth	Office held	In office since - seniority	List	Exec.	Non-exec.	Ind.	Indep. TUF	% BoD	Other appointments
<b>Susan Carol Holland</b> 27/05/1956	Chairman	17/04/2019 --- 19/02/2001	M		X			100	2
<b>Enrico Vita</b> 16/02/1969	Chief Executive Officer (CEO)	17/04/2019 --- 20/10/2015	M	X				100	1
<b>Andrea Casalini</b> 02/05/1962	Director	17/04/2019 --- 18/04/2016	M		X	X	X	100	2
<b>Alessandro Cortesi</b> 22/03/1962	Director	17/04/2019 --- 18/04/2016	m		X	X	X	85	6
<b>Maurizio Costa</b> 29/10/1948	Director	17/04/2019 --- 24/04/2007	M		X	X	X	100	1
<b>Laura Donnini</b> 06/02/1963	Director	17/04/2019 --- 18/04/2016	M		X	X	X	100	1
<b>Maria Patrizia Grieco</b> 01/02/1952	Director	17/04/2019 --- 18/04/2016	M		X	X	X	100	3
<b>Lorenzo Pozza</b> 11/10/1966	Director	17/04/2019 --- 18/04/2016	M		X	X	X	100	10
<b>Giovanni Tamburi</b> 21/05/1954	Director	17/04/2019 --- 17/04/2013	M		X			100	9

### KEY

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

**In office since - seniority:** 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.

During the meeting held on 17 April 2019 the Board of Directors established the

composition of the Committees, the Supervisory Board and appointed the Lead Independent Director, as follows:

- **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 Patrizia Grieco

- **Committee of Independent Directors for Related Party Transactions:**

Chairman Andrea Casalini  
Member Laura Donnini  
Member Alessandro Cortesi

- **Supervisory Board:**

Chairman Lorenzo Pozza  
Member Laura Donnini  
Member Paolo Tacciarina (Head of Internal Audit)

- **Lead Independent Director:**

Lorenzo Pozza

The professional characteristics of the Directors can be found on the company's website in the section "Governance".

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 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 17 April 2019, along with their attendance records for the year, are shown below:

Name	Office held	EC.	% EC	NC	% NC	RAC	% RAC.	RCSC.	% RCSC
<b>Susan Carol Holland</b>	Chairman	n/a	n/a	n/a	n/a	M	100	M	100
<b>Andrea Casalini</b>	Director	n/a	n/a	n/a	n/a	M	100		
<b>Alessandro Cortesi</b>	Director	n/a	n/a	n/a	n/a			M	100
<b>Maurizio Costa</b>	Director	n/a	n/a	n/a	n/a	P	100		
<b>Laura Donnini</b>	Director	n/a	n/a	n/a	n/a			M	80
<b>Patrizia Grieco</b>	Director	n/a	n/a	n/a	n/a	M	100		
<b>Lorenzo Pozza</b>	Director	n/a	n/a	n/a	n/a			P	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).

#### Diversity

As mentioned above in section 4.1, 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, based on the criteria envisaged by the *pro-tempore* regulations and rules. Currently the number of women, namely the least represented gender in the Board of Directors, now accounts for 33% of the Board.

As for the composition of the Board, the mix of professional experience complies with the recommendations found in the Corporate Governance Code and is assessed each year during the self-assessment process. Amplifon's Board of Directors has a good mix of professional profiles and expertise which spans business, finance and different professions.

Lastly, while not the end result of a specific policy, the average age of the Board members has dropped significantly from 72 in 2011 to 61 in the current Board and ranges from a high of 71 to a low of 52.

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

Pursuant to the Corporate Governance Code for listed companies issued by Borsa Italiana S.p.A. on the role of the Board of Directors and its efficient execution of its functions, Amplifon S.p.A.'s Board of Directors expressed its positioning by approving the "Regulations for the Board of Directors", which was last updated on 16 December 2020, 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:

- "an Executive Director may not assume:
  - a) other executive roles in other listed, public interest or large companies; and
  - b) more than 3 other assignments in listed, public interest or large companies;
- a non-Executive Director may not assume more than a total of 8 assignments in listed, public interest or large companies, and may have no more than 6 appointments in listed companies."

The Regulations for the Board of Directors also define the criteria to be applied when considering the appointments held by the Directors and specifies that *“when, after applying the criteria mentioned above, it appears that the limit on the appointments allowed in other companies has been exceeded, the Board of Directors may, at any rate, examine each case in order to assess whether or not the offices in other companies are incompatible with the ability to effectively fulfill the duties as a Director of the Company without prejudice to the instances of ineligibility and revocation, as well as the limits on the number of assignments allowed, provided for in current applicable laws and regulations.”*

### **Induction Program**

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. Subsequently, including through the direct participation of group managers in Board meetings, further information will also be provided relative to specific topics or transactions deemed relevant for the Company and the Group.

## **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 2020 and expected for 2021**

During 2020 the Board of Directors met seven times:

- 29 January;
- 4 March;
- 20 March;
- 29 April;
- 29 July;
- 28 October;
- 16 December.

Meetings lasted an average of four hours each.

Five meetings have been scheduled for 2021, 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. The notice of call must be sent, by way of a registered letter sent to the domicile of each Director or standing auditor at least five days prior to the meeting or via e-mail. In urgent cases, determined at the discretion of the Chairman, the notice of call may also be sent one day prior to the scheduled meeting date.

The Board of Directors may also be called, after having notified the Chairman of the Board, 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, and, at any rate, by the third day prior to the scheduled meeting date, as per art. 10 of the Regulations for the Board of Directors. The way in which the documentation is sent may vary based on the degree to which confidentiality of the information needs to be protected. During the self-assessment process carried out at the end of FY 2020, the



Directors also specifically addressed the topic of providing adequate and timely information, including confidential information, prior to the Board meetings.

The Directors agreed that this type of information is disseminated in a timely and adequate manner. This assessment was shared with the Control, Risk and Sustainability Committee and was viewed in a positive light by the Independent Directors during the separate meeting held by them in accordance with the Corporate Governance Code.

In 2020 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 General Managers 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 Management Team, 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 (including with regard to compliance with laws governing gender equality and diversity) 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 executive directors;
- 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 29 April 2020, the Board allocated the global remuneration approved during the Shareholders' Meeting held on 24 April 2020 to its individual members.

During the same meeting held on 29 April 2020, 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, 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, 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 the Committee of Independent Directors for Related Party Transactions, an additional fee of €10,000.00;
- if called upon to serve on the Committee of Independent Directors for 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 in addition 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 resolution dated 7 May 2019, the Board of Directors determined the powers of the Chief Executive Officer effective as of the same date and for the entire duration of his term, with the exception of early termination of the mandate but without prejudice to the Board's power to revoke these powers *ad nutum* without the obligation to pay any compensation, revoking the powers granted during the meeting held on 17 April 2019 at the same time, and specified the scope of the powers granted 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, €30 or €50 million per transaction, depending on the type of transaction, as well as for the transfer of funds, without limits, between the Company's bank accounts. The Chief Executive Officer may also represent the Company in its relationships with its subsidiaries and associates – Italian and foreign - with regard to the payment of dividends (always in accordance with the Group's policies), as well as carry out the transactions needed to manage the Group's cash pooling program.

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 short-, medium- and long-term bank loans and lines of credit in joint signature with the Group's CFO for an amount of up to €50 million per transaction, make short term investments of liquidity for up to €30 million per transaction and grant short/medium/long term loans to affiliates and associates, as well as transfer funds, without limits, to affiliates and associates.

The Chief Executive Officer may also, in joint signature with a member of the Board of Directors stipulate and with the power to sub-delegate, take disciplinary action relating to, or terminate any employment contract with a company Executive.

The Chief Executive Officer may carry out in 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 Chief Executive was also granted single signatory powers as "Employer," "Environmental Director" and "Data Controller"

During the meeting held on 26 July 2018, the Board of Directors approved the "Regulation for related party transactions" and "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, 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, role and performance.

This report was shared by the Independent Directors during their periodic meeting held on 16 December 2020, in accordance with the Corporate Governance Code and submitted to the Board by the Chairman of the Risk, Control and Sustainability Committee and the Lead Independent Director Lorenzo Pozza during the meeting held on 16 December 2020.

The comments included in the report were shared with those present and the areas to be investigated further as per the survey were also pointed out.

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

## **4.4. EXECUTIVE BODIES**

### **4.4.1. 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 meeting held on 7 May 2019 the Chief Executive Officer and General Manager were 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 of the Board of Directors**

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 the day of appointment, 17 April 2019, the Board of Directors verified that the directors qualified as independent. On the same date the Company also communicated these findings to the market in a press release.

The independent status of the directors is also checked each year. During the meetings held on 04 March 2020 and 03 March 2021, therefore, the Board of Directors verified that the six Independent

Directors (Pozza, Casalini, Costa, Donnini, Grieco and Cortesi) still qualified as such.

The evaluations carried out through 2020 were carried out in accordance with art. 148, paragraph 3, of Legislative Decree n. 85 dated 24 February 1998 ("TUF") and the criteria outlined in the Corporate Governance Code and, as per the prudent recommendation of the Board, with the abstention of the Director in question.

The evaluations carried out in 2021 were, rather, carried out in accordance with the new Corporate Governance Code, in effect as of 01 January 2021.

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 that with a view to applying the recommendations found in the new Corporate Governance Code, specifically art. 2 of Recommendation 7, 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 independence 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 the 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, and Cortesi. The assessment criteria were found to be adequate."*

On 16 December 2020 a meeting of the Independent Directors was also held in order to discuss the Company's corporate governance system in light of the new version of the Corporate Governance Code issued in January, 2020 and the findings of the Board's self-assessment.

With regard to the maintaining the qualifications as an independent director, based on art.5 of the Regulations for the Board of Directors *"a Director who has indicated to qualify as independent will maintain this independence for the entire term of office and if it should be compromised will resign, without prejudice to the Board of Director's power to coopt the same Director as a non-independent director."*

## 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 17 April 2019 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 July 2018 the Board approved the updated “Procedure for the internal management and disclosure of corporate documents and information, with particular reference to relevant information and inside information”, amended in order to comply with relative laws and regulations.

The purpose of this procedure 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/Reports and Procedures*’.

This procedure is connected to the creation and updating of the Register of the persons with access to sensitive information, as well as the Relevant Information Management Procedure and 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 maintained and updated by the Chief Legal Officer.

### 5.2. INTERNAL DEALING CODE

During the meeting held on 26 July 2018, 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) and shareholders 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 “*Identity – Our Management*”).

Moreover, all persons closely related to the relevant persons are also obliged to comply with the Code.

A “relevant” shareholder was also defined as anyone who has an interest, calculated in accordance with art. 118 of the Issuers’ Regulations, representing at least 10% of the company’s share capital with voting rights, as well as any other party that controls the company.

Transactions of a total amount of more than €20,000 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 one working day).

Pursuant to the Code, Relevant Persons (and close associates of the relevant persons) and relevant shareholders 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/ Reports and Procedures*”.

## **6. BOARD COMMITTEES**

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

On 17 April 2019 the Board of Directors appointed the Risk, Control and Sustainability 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, Control and Sustainability Committee, along with the Remuneration and Appointments Committee, prepare a budget each year which is approved by the Board. Both committees have the power to make expenditures as deemed necessary.

## 7. NOMINATIONS COMMITTEE

The Board deemed that, for the moment, it was unnecessary to form a Nominations Committee, 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.

The Remuneration and Appointments Committee, acting as the Nominations Committee, formed in accordance with the requirements for the composition of both Committees, has 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 2020 the Remuneration and Appointments Committee met seven times. Minutes of the meetings were taken regularly and the meetings lasted around two hours each. During four of these seven meetings topics relating to changes in the organizational structure, Talent Development and Succession Planning were discussed. The list of Executives with strategic responsibilities was updated in 2020 and each Committee was updated as to the principal changes/appointments in strategic roles in Italy and abroad, as well as possible future organizational changes.

At the same time, the Committee worked together with the Director of Group HR in order to monitor periodically the annual Talent Review and Succession Planning processes in accordance with the Group's policies.

The succession plans are continuously updated for two reasons; to continue to build a solid talent pipeline capable of sustaining the company's business and define a clear plan for development and training which anticipates future needs. As part of the yearly review process, the succession plan for the sole executive director and all the executives that report to him was discussed in great detail which involved looking at names, level of readiness, any preparation needed in terms of development or career steps.

With regard, specifically, to the Executive Leadership Team and the General Managers of the subsidiaries, the succession plans were also prepared and completed based on individual evaluations.

For more information about the duration of the meetings, the composition and functioning of the Committee, please refer to section 1.1 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

For all information on the directors' compensation, please refer to the **Remuneration Statement** available at the corporate headquarters and on the Company's website in the section 'Governance/Remuneration'.

## 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 during the meeting held on 17 April 2019. At 31 December 2020, 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.

The current members were found to possess the professional experience deemed necessary to fulfil the committee's duties as outlined in the Code.

In order to perform its duties, in 2020 the Risk, Control and Sustainability Committee worked with the Group's Head of Internal Audit, Paolo Tacciarina.

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 2020 the Risk, Control and Sustainability Committee met on five occasions, distributed evenly throughout the year:

- 26 February;
- 27 April;
- 23 July;
- 22 October;
- 10 December.

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

All the members of the Risk, Control and Sustainability Committee attended the meetings, which lasted on average around two hours (with the exception of the justified absence of one member from the meeting held on 26 February 2020). 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, the Group's CFO as well as the Manager charged with preparing the company's financial reports, a few consultants and Company managers were invited to attend the meetings.

In 2021 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.

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

- assessment of the internal control and risk management system, as well as approval of the periodic financial reports;
- definition and updating 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, also taking into account risks that could impact the medium/long-term sustainability of the Company's operations;
- 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 program 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 proposals received from the Chief Executive Officer about the appointment, dismissal and, in accordance with the company policies, the variable and fixed compensation of the Head of Internal Audit, as well as the adequacy of the resources dedicated to Internal Audit;
- examination of the topics related to sustainability;
- examination of the non-financial statement drawn up in accordance with Legislative Decree 254/2016;
- assessment and supervision of the Company's Anti-Corruption program;
- examination, as recommended by the Chairman of the Board and/or the CEO, of the aspects of topics which they view as relevant for the Committee.

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, when the half-yearly and annual reports are approved, 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;
- oversees questions relating to the sustainability of business operations and interaction with all the stakeholders;
- oversees the non-financial statement drawn up in accordance with Legislative Decree 254/2016.

In 2020 internal control, in line with the functions described above, was focused on the following activities:

- guidance and supervision of the internal audit activities focused on verifying the adequacy and improving the Group's internal control system;
- overseeing the activities involving the application and updating of the Organizational Model pursuant to Legislative Decree 231/2001;
- supervision of the processes used to identify and manage the Group's risks;
- monitoring the economic situation and the financial position, as well as any issues relating to accounting and administration;
- supervision of the Group's anti-corruption program and the Group's Whistleblowing system;
- compliance with the Corporate Governance Code: monitoring regulatory changes and the functioning of the company's governance;
- supervision of issues relating to sustainability;
- other supervisory activities which, directly and indirectly, are aimed at obtaining information relating to the internal control and risk management 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 on the input received from the Risk, Control and Sustainability Committee and of the Head of Internal Audit, expressed a positive opinion as to 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, as well as the reports presented by its Chairman, with 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 29 July 2020, the Board was provided, in a memorandum received from the Chairman of the Control, Risk and Sustainability Committee, with an updated assessment of the Group's risks recorded in 2020 as a result of the continuous monitoring of risk management, also taking into account the effects of the pandemic;
- during the meeting held on 16 December 2020, the Board acknowledged and assessed the Group's risk map on the basis of a report entitled "Group Risk Report 2020", examined previously by 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, including those relating to ESG (Environmental, Social, and Governance) factors, 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.

The internal control and risk management system used to monitor the financial reporting process is 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.

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 system of administrative and accounting procedures is implemented by the entire perimeter of consolidation, namely Amplifon S.p.A and its subsidiaries.

With regard to the subsidiaries, the model was implemented gradually for operational reasons, beginning with certain cycles, to eventually reach full coverage of the relevant processes. A simplified procedure 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 also used, followed by the gradual implementation of a full set of accounting procedures.

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

More in detail, in 2020, following the implementation of the new ERP system (Oracle Fusion Cloud platform) as part of the Group's *"One Amplifon Transformation"* program, any of the administrative accounting procedures impacted were upgraded and updated with the support of a premiere consulting company.

## **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**

#### **Scoping**

Scoping is carried out each year in order to identify accounting entries deemed qualitatively and quantitatively material and significant, the underlying processes and the specific Group companies for which the model should be developed and implemented including with a view to the continuous changes in the scope of consolidation and the business.

#### **Preparing and updating the procedures**

The following activities are carried out for each Company and process defined as "in-scope":

- Initial narrative mapping and updating of the process, followed by the definition of the procedure to be used to identify risks and establish key controls in order 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.
- The procedures include a risk control matrix which 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;
  - the documentation used to support the controls made.
- On the basis of the Risk Control Matrix, several times during the 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 results of the tests, kept on file on the Group intranet and with the Consolidated Financial Statements division, and the progress reports of activities underway at individual Group companies, are analyzed 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 Global Accounting & Finance Senior Director.

The results of the tests are also shared with the Board of Statutory Auditors at least every six months.

When data is submitted for the periodic financial reports (quarterly, half-yearly and yearly), regardless of the materiality of the country or company, the General Managers 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 Global Accounting & Finance Senior Director, defines the necessary actions to be taken.

*Head of Internal Audit:* supervises, together with the Manager charged with preparing the Company's financial reports, 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 Global Accounting & Finance Senior Director. Reports periodically to the Risk, Control and Sustainability Committee about the work carried out.

*Global Accounting & Finance Senior 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 (remote and on site) both directly and through consultants, and updates the Steering Committee on the status of operations and test 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.

*General Managers 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). As mentioned above, regardless of the materiality of the Country or the company, they will 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.

*Manager in charge of compliance with Law 262/2005:* a manager has been appointed, at each material subsidiary, to serve as the focal point for the implementation and ongoing maintenance of the model and its application.

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

## **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 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, to act as the Company's Head of Internal Audit in 2020 after having received an opinion from the Risk, Control and Sustainability Committee and consulted with the Board of Statutory Auditors.

The compensation for the Head of Internal Audit is consistent with the company's remuneration policies, the Remuneration and Appointments Committee's recommendations and approved by the Board of Directors after having received a favorable opinion from the Risk, Control and Sustainability Committee, as well as consulted with the Board of Statutory Auditors.

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, as well as compliant 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 each year, 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;
- supports the Risk, Control and Sustainability Committee in the supervision of topics relating to sustainability.

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 and risk management system.

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 (*Group Risk & Compliance Manager*) and, for specific projects, a leading consulting firm.

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

The Internal Audit Plan focuses on the strategic objectives and 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, as well as the systematic updates of any Company measures relating to the internal control and risk management system's IT.

The activities carried out by Internal Audit also include the constant monitoring of any steps taken to improve the internal control and risk management system called for in the audits and, therefore, prior to the formal verifications which take place during the follow-up phase.

### **II.3. ORGANIZATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001**

On 14 March 2005 the Board of Directors resolved to adopt an 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.

The Model was prepared with a view to preventing 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 for company transactions, describes how the Supervisory Committee is formed and works, as well as the applicable penalties (the general part is available on the Company's website in the section "corporate governance/internal control system"). The special part includes the 'control protocols' 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 was adopted in order to ensure that company activities are carried out in accordance with the principles of fairness and transparency with a view to safeguarding the company's image, the work of its employees and partners, while at the same time fostering the achievement of greater efficiency.

The Organizational and Management Model is dynamic by definition: each year the need for updating is verified based on regulatory and organizational changes, as well as any breaches. Application of the model is also verified.

The Model is updated regularly and on 30 July 2019 the Board of Directors approved the latest changes made in order to take into account both the new laws relating to predicate offences and the changes made to the Company's organizational structure.

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

The Supervisory Board, comprised of two independent Directors and the Head of Internal Audit, met eight times in 2020 in order, in particular, to respond effectively to the measures enacted as the Covid19 pandemic spread, as well as protect the health and safety of employees and collaborators:

- 26 February;
- 11 March;
- 25 March;
- 27 April;
- 16 June;
- 23 July;
- 22 October;
- 10 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. In 2020 there was a formalized exchange of information during three meetings of the Supervisory Board.

There was also a formalized exchange of information with the independent auditors.

## II.4. INDEPENDENT AUDITORS

The Shareholders' Meeting held on 20 April 2018 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 KPMG S.p.A. for the nine-year period 2019-2027.



## **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 three years of management experience in the field of accounting, finance and control with group companies or other joint stock companies.

The "Rules for the Manager charged with preparing company's financial reports" govern the responsibilities, the activities, the relationships with other corporate divisions, the powers and means of the Manager charged with preparing company's financial reports in accordance with proven best practices.

In the meeting held on 28 June February 2017 the Board, after having received a favorable opinion from the Board of Statutory Auditors, appointed the group's CFO, Gabriele Galli, Manager charged with preparing company's financial reports effective 1 March 2017.

## **II.6. COORDINATION OF 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 26 July 2018, 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, which defines the rules and procedures relating to the identification, communication, 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/Reports 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;
- 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 the 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 specific 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, based on the criteria envisaged by the *pro-tempore* regulations and rules.

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 commercialization 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 determined yearly and defined in the executive resolution n. 44 issued by the director of CONSOB's corporate governance division on 29 January 2021). 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, 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 and d-bis), 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 20 April 2018 and in office through the Shareholders' Meeting to approve the 2020 annual report, consists of the following members:

Name and date of birth	Office held	In office since - Seniority	List	% attend. B.S.A.	Other appointments
<b>Raffaella Pagani</b> 21/06/1971	Chairman	20/04/2018 ---- 21/04/2015	m	100%	15 <sup>1</sup>
<b>Maria Stella Brena</b> 31/03/1962	Standing	20/04/2018 ---- 18/04/2012	M	100%	17 <sup>2</sup>
<b>Emilio Fano</b> 19/01/1954	Standing	20/04/2018 ---- 18/04/2012	M	100%	13 <sup>3</sup>
<b>Alessandro Grange</b> 11/09/1950	Alternate	20/04/2018 ---- 21/04/2015	m	--	6
<b>Claudia Mezzabotta</b> 03/02/1970	Alternate	20/04/2018 ---- 18/04/2012	M	--	12

<sup>1</sup> Degree in Business Economics from *Università Commerciale Luigi Bocconi*, and registered in Milan's Role of Chartered Accountants since 1996, the Register of Financial Auditors since 1999, the Register of Professional Consultants for Milan court judges, the Register of Bankruptcy Trustees for the Court of Milan and the Register of Auditors of Local Authorities.

He carries out his professional activities at his firm in Milan (*Studio Associato Pagani*). Currently he is also Chairman of the Board of Statutory Auditors of Brembo S.p.A., di Sanofi S.p.A., di Nord-Com S.p.A., of CAL Concessioni Autostradali Lombarde S.p.A., of Ferrovie Nord S.p.A., of Dufry Shop Finance Ltd, of La Linea S.p.A., of Tata Consultancy Services (Italy) S.p.A., as well as member of the Board of Statutory Auditors of Enel Italia S.r.l., of Servizio Elettrico Nazionale S.p.A., of SIB Società Italiana Bricolage S.p.A.. He is a member of the Board of Directors of Azimut Holding S.p.A. and Azimut Libera Impresa SGR S.p.A..

<sup>2</sup> Degree in Business Economics from *Università Commerciale Luigi Bocconi*, registered in Milan's Role of Chartered Accountants since 1990 and the Register of Financial Auditors since 1995.

She is currently Chairman of the Board of Statutory Auditors and Standing Auditor of BASF Group and Randstad Group companies and acts as an Independent Director for Banca Galileo S.p.A..

<sup>3</sup> Degree in Business Economics from *Università Commerciale Luigi Bocconi*, registered in Milan's Role of Chartered Accountants and Accounting Experts since 1982 the Register of Financial Auditors since 1995.

He acts and has acted as Director and Statutory Auditor for listed, unlisted and public interest companies.

He is currently Chairman of the Board of Statutory Auditors of Eos Servizi Fiduciari S.p.A., il Sole 24 Ore Cultura S.r.l., Givaudan Italia S.p.A. and Istituto delle Vitamine S.p.A. and Standing Auditor of Nespresso Italia S.p.A., La7 S.p.A., Cairo Editore S.p.A. and Cairo Pubblicità S.p.A..

### 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 standing, professional abilities and independence called for in the law, the Articles of Association and the Corporate Governance Code.

Similar to the self-assessment carried out by the Board of Directors, the Statutory Auditors assessed their own eligibility and the correct, effective functioning of the Board of Statutory Auditors (including in accordance with the Article Q.1.1. of the April 2018 edition of the National Council of Chartered Public Accountants and Auditors, "Standards of Conduct for Statutory Auditors of Listed Companies" and consistent with the "Guidelines for self-assessment of the Board of Statutory Auditors" issued in May 2019). The review of the Board of Statutory Auditors was carried out on the basis of a questionnaire which was used to create a self-assessment report on February 26, 2021.

The report was presented by the Board of Statutory Auditors to the Board of Directors on March 3, 2021. At the end of the process, general satisfaction with the functioning and contribution of the Board of Statutory Auditors was expressed, as well as with the positive atmosphere within the Board. There was found to be an effective relationship with the Board of Directors and a high level of collaboration with Amplifon's internal structures. The diversity of the control body was also subject to review, including pursuant to Art. 123-bis, paragraph 2, lett. d-bis of TUF.

The Board of Statutory Auditors met ten times during the year. The meetings lasted, on average, three 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 adopted by the Issuer in accordance with the Corporate Governance code.

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 has planned to meet ten times in 2021, of which three have already taken place on January 19, 2021, February 23, 2021 and February 26, 2021.

## **DIVERSITY**

In accordance with the Articles of Association, the Board of Statutory Auditors 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, based on the criteria envisaged by the pro-tempore regulations and rules. Currently women account for 2 out of 3 of the standing auditors.

As already mentioned, the requisites of honorability and professionalism are assessed in accordance with the law, the Articles of Association and the Corporate Governance Code.

Lastly, there is no specific policy guiding the composition of the lists for the appointment of the statutory auditors with respect to the age of the candidates.

## **15. RELATIONS WITH SHAREHOLDERS**

The Board of Directors works to ensure that shareholders, investors, and all of the Amplifon's and the Group's stakeholders, 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, as well as a section dedicated to sustainability, with the same name. All 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 one internal resource and an external company specialized in media relations.

The Company actively endeavors 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 organizes conference calls when the annual, half-year and quarterly results are published, issues press releases informing shareholders and potential shareholders of events and decisions that could impact their investment, meets periodically with institutional investors and the financial community in collective and one-to-one meetings, and constantly updates the corporate documentation made available on its website.

Shareholders and investors may contact Investor Relations directly via e-mail at [ir@amplifon.com](mailto:ir@amplifon.com).

## **16. SHAREHOLDERS' MEETINGS**

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

The Shareholders' Meetings are regulated by, in addition to the Company's Articles of Association, a specific set of regulations which was approved by the Shareholders' Meeting and which can be found on the Company's website in the section "Governance/Shareholders' Meeting". The Articles of Association and the Shareholders' Meeting 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**

There have been no changes in corporate governance after the end of the year under review.

## **19. COMMENTS ON THE LETTER DATED 22 DECEMBER 2020 RECEIVED FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

On 3 March 2021 the Board of Directors, subsequent to the preliminary examination of the Risk, Control and Sustainability Committee and the Remuneration and Appointments Committee, assessed the content of the letter received from the Chairman of the Corporate Governance Committee dated 22 December 2020 and the recommendations found therein.

The Board acknowledged that the company's Corporate Governance system is basically in line and consistent with the recommendations made by the Corporate Governance Committee.

## ANNEX I

### LIST OF AMPLIFON S.P.A.'S DIRECTORS' APPOINTMENTS IN OTHER COMPANIES AT 31 DECEMBER 2020<sup>1</sup>

Name	Office held in Amplifon S.p.A.	Other companies	Office held
Susan Carol Holland	Chairman	Ampliter s.r.l. Amplifin S.p.A.	Chairman Chairman
Enrico Vita	Chief Executive Officer	Ariston Thermo S.p.A.	Independent Director
Andrea Casalini	Independent non-executive Director	Cerved Group S.p.A. Assist S.p.A. Engagigo s.r.l.	Independent Director Director
Alessandro Cortesi	Independent non-executive Director	Italtel S.p.A. Conbipel S.p.A. Ferragamo Finanziaria S.p.A. Mipharm S.p.A. Playa de Arico SA Llanos de Arico SA	Director Director Chairman of the Board of Statutory Auditors Statutory Auditor Chairman BoD Chairman BoD
Maurizio Costa	Independent non-executive Director	Mediobanca S.p.A.	Director
Laura Donnini	Independent non-executive Director	HarperCollins Italia S.p.A.	Chief Executive Officer
Maria Patrizia Grieco	Independent non-executive Director	Monte dei paschi di Siena Ferrari N.V. Endesa S.A.	Chairman Independent Director Independent Director
Lorenzo Pozza	Independent non-executive Director	Ariston Thermo S.p.A. Assicurazioni Generali S.p.A. Bracco Imaging S.p.A. Edison S.p.A. Gas Plus S.p.A. Houlihan Lokey S.p.A. Merloni Holding S.p.A. Rudra S.p.A. Transalpina di Energia S.p.A. Angel Capital Management S.p.A.	Chairman BoS Statutory Auditor Statutory Auditor Statutory Auditor Chairman BoS Statutory Auditor Statutory Auditor Director Statutory Auditor Director and Deputy Chairman
Giovanni Tamburi	Non-executive Director	Tamburi Investment Partners S.p.A. Alpitour S.p.A. Azimut Benetti S.p.A. Beta Utensili S.p.A. Eataly S.r.l. Elica S.p.A. OVS S.p.A. Interpump Group S.p.A. Roche Bobois Group	Chairman and CEO Director Director Director Director Director Director Member of the Surveillance Committee

<sup>1</sup> - The offices held are based on the information provided by the Directors.



Editorial Project Coordination  
AMPLIFON

Art Direction, Graphic Design  
COMMON

