

**REPORT BY THE BOARD OF STATUTORY AUDITORS**  
**ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CEMBRE GROUP AT 31**  
**DECEMBER 2021**

To our Shareholders:

The Consolidated Financial Statements for the 2021 financial year delivered to the Board of Statutory Auditors within the required deadline - consisting of the Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income, Statement of Changes in the Consolidated Shareholders' Equity and of the Notes to the Consolidated Financial Statements and the schedules prepared in accordance with the European Single Electronic Format (ESEF) - were prepared under the International Financial Reporting Standards (IFRS) adopted by the European Union and in compliance with regulations issued to implement article 9 of Legislative Decree 38/2005, in force at 31/12/2021.

The international accounting standards, amendments and interpretations issued by IASB applicable from 1 January 2021 and described in the Notes to the Consolidated Financial Statements, were employed in the preparation of the Consolidated Financial Statements. Amendments to IFRS 4, 7, 9, 16, 17, IAS 16 and 37 were applied in the Consolidated Financial Statements of the Cembre Group, with the exception of those to IFRS 16 due to the non-occurrence of conditions.

Items in the consolidated financial statements were recorded at historical cost, with the exception of those items for which the accounting standards provide for a different valuation method.

It should be noted, as mentioned above, that pursuant to article 4, paragraph 7 of the *Transparency Directive 2004/109/EC*, as amended by Directive 2013/50/EU, the consolidated annual financial report was also prepared in a single electronic reporting format in compliance with the regulatory technical standards for this format, developed by the *European Securities and Markets Authority (ESMA)*, and contained in Delegated Regulation 2018/815 (EU) of 17 December 2018 (Regulatory technical standards 3 relating to the specification of the single electronic reporting format, *European Single Electronic Format "ESEF"*).

The Consolidated Financial Statements show a profit attributable to the Cembre Group of €25,321 thousand, as compared with a profit of €18,975 thousand in the previous year.

The Company appointed to perform the legal audit of the accounts, EY S.p.A., in its report drawn up in accordance with Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EU) No. 537/2014 issued on 24 March 2021, attested:

- *“that the Consolidated Financial Statements provide a true and fair view of the Group’s assets and liabilities and financial position as at 31 December 2021, of its results of operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the measures issued in implementation of Article 9 of Legislative Decree no. 38 of 28 February 2005”;*
- *“that the Report on Operations and certain specific information contained in the Report on Corporate Governance and on the Company’s Ownership Structure referred to above are consistent with the Consolidated Financial Statements of the Cembre Group at 31 December 2021 and have been prepared in compliance with the law”.*
- *“with reference to the certification pursuant to art. 14, paragraph 2 lett. e) of Legislative Decree 39 of 27 January 2010, issued on the basis of the knowledge and understanding of the company and the related context acquired during the audit, we have nothing to report”.*

In application of the provisions of Delegated Regulation (EU) 2019/815 of the European Commission (ESEF - European Single Electronic Format) to the consolidated financial statements, to be included in the annual financial report, the independent auditors have also certified, after carrying out the procedures indicated in Auditing Standard (SA Italy) no. 700B, that *“the Consolidated Financial Statements have been prepared in XHTML format and have been tagged, in all significant aspects, in accordance with the provisions of the Delegated Regulation”.*

In compliance with article 41, par. 3 of Legislative Decree no. 127/91, with the exception of the issues specified below, the Consolidated Financial Statements were therefore not audited by the Board of Statutory Auditors.

The Notes to the Consolidated Financial Statements provide detailed information on form and content and on items in the Balance Sheet and Income Statement and illustrate accounting policies and measurement bases, segment reporting and notes to the Consolidated Financial Statements.

Determination of the consolidation area, the choice of consolidation principles in application of the line-by-line method, of subsidiaries to be consolidated, and the procedures for the consolidation are consistent with IFRS. The scope of consolidation is unchanged from 31

December 2020.

The Report On Operations illustrates, in an appropriate manner, the economic and financial situation, investments, the results of the parent company, alternative performance indicators, shareholders' equity, the main risks and uncertainties, environmental management, health and safety in the workplace, performance indicators, research, development and technological innovation activities, relations with related parties also shown in the financial statements, companies governed by the laws of non-EU countries, treasury shares and shares in parent companies, the report on corporate governance and ownership structure, the consolidated non-financial statement, the implications of the Covid-19 pandemic, the effects of climate change, the Group's performance and analysis of the Group's results for the year 2021 and significant events occurring after the end of the year, including the performance of both the parent company and the group of companies included in the consolidation.

With regard to the key audit matters (KAMs), EY S.p.A. identified and focused its attention on assessment of the recoverability of goodwill in relation to the "Germany" Cash Generating Unit. These aspects were covered in the audit and in forming an opinion on the overall consolidated financial statements, and they are not subject to a separate opinion.

Based on the checks and assessments carried out, we confirm that:

- the scope of consolidation was determined correctly;
- the consolidation procedures adopted are compliant with the legal provisions and were applied correctly;
- the examination of the Report on Operations highlighted its consistency with the consolidated financial statements;
- all of the information used for the purposes of consolidation refers to the entire administrative period of the year 2021;
- the measurement criteria are consistent with those used in the prior year.

Brescia 24 March 2022

For the Board of Statutory Auditors

The Chair

*signed by:*

Dr Fabio Longhi

**REPORT BY THE BOARD OF STATUTORY AUDITORS**  
**TO THE SHAREHOLDERS' MEETING OF CEMBRE S.P.A. DRAFTED PURSUANT TO ART.**  
**153 OF LEGISLATIVE DECREE NO. 58/98 ("CONSOLIDATED LAW ON FINANCE") AND OF**  
**ART. 2429, SECOND PARAGRAPH, CIVIL CODE**

To our Shareholders:

Pursuant to article 2429, paragraph 2 of the Italian Civil Code and article 153 of Legislative Decree no. 58/98, the Board of Statutory Auditors reports to the Shareholders' Meeting, called to approve the Financial Statements for the year, on the monitoring activity carried out and on omissions and censurable facts observed, in addition to expressing a recommendation on the Financial Statements, their approval and other pertinent issues.

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting of 27 April 2021 in accordance with legal, regulatory and statutory provisions and its term of office will end with the Shareholders' Meeting called to approve the financial statements as at 31 December 2023. We confirm that all the members of the Board of Statutory Auditors have complied with the limit on the number of appointments that may be held by members, set by article 144-terdecies of the Issuers' Regulations, and that the Board's composition complies with the provisions on gender diversity set out in art. 148, paragraph 1-bis of Legislative Decree no. 58/1998, as amended by article 1, paragraph 303, Law no. 160/2019, and applied pursuant to article 1, paragraph 304 of the same law, as well as in accordance with the provisions of Consob Communication no. 1/20 of 30 January 2020.

The statutory audit assignment pursuant to Legislative Decree 58/1998 and Legislative Decree no. 39/2010 was entrusted to the company EY S.p.A. as resolved by the shareholders' meeting of 26 April 2018 and to whose reports reference should be made. The original auditing engagement has a duration of nine years and will end with the Shareholders' Meeting called to approve the Financial Statements at 31 December 2026.

During the year under review, in compliance with the responsibilities assigned by article 149 of Legislative Decree no. 58/98, the Board of Statutory Auditors:

- attended the Ordinary Shareholders' Meeting held on 27 April 2021 which was carried out by means of remote connections pursuant to art. 106 of Legislative Decree no. 18/2020, converted into law by Law no. 27/2020 and in compliance with Resolution no. 187/2020 of the Milan Notary Council and at the meetings of the Board of Directors, obtaining from the Directors adequate information on the general performance of operations and its

- foreseeable evolution, as well as on the most significant transactions, in terms of size and characteristics, carried out by the Company and its subsidiaries;
- acquired knowledge necessary to verify compliance with the law, the by-laws, correct management principles and the adequacy of the Company's organizational structure, through the acquisition of documents and information from the managers of the departments involved and from the periodic exchange of information with the Independent Auditors;
  - attended, at least through its Chairman, the meetings of the Control and Risk Committee, the Appointments and Remuneration Committee and the Supervisory Board;
  - monitored the functioning and effectiveness of internal control systems, in addition to the adequacy of the administrative and accounting system, with particular attention to the ability of the latter to portray the operations of the Company;
  - promptly exchanged with the managers of the Audit Firm the data and information relevant to the performance of their respective duties pursuant to art. 150 of Legislative Decree no. 58/98, including by examining the results of the work carried out and receiving the reports provided for in Article 14 of Legislative Decree no. 39/2010 and Article 11 of EU Reg. 537/2014;
  - examined the contents of the Additional Report pursuant to art. 11 of Regulation EU 537/2014, which was transmitted to the Board of Directors pursuant to art. 19 paragraph 1 letter a) of Legislative Decree 39/10, from which no aspects emerged that should be highlighted in this report;
  - monitored the functioning of the control system on subsidiaries and the adequacy of instructions imparted to subsidiaries pursuant to article 114, paragraph 2, of Legislative Decree 58/98;
  - having acknowledged the preparation of the Report on Remuneration Policy and Compensation Paid pursuant to Article 123-ter of Legislative Decree no. 58/98 and Article 84-quater of the Consob Regulation adopted by resolution no. 11971 of 14 May 1999, specifying that the same is in line, as resolved by the Board of Directors on 11 March 2021, also with Consob Resolution no. 21263 of 10 December 2020 entailing amendments to Art. 84-quater Issuers' Regulation and Schedule 7-bis of Annex 3A of the same Regulation. There are no particular observations to report;
  - ascertained compliance of the statutory provisions with the legal and regulatory provisions;
  - monitored the concrete implementation of the corporate governance rules adopted by the

Company in compliance with the Corporate Governance Code of listed companies promoted by Borsa Italiana S.p.A.;

- supervised the compliance of the internal procedure concerning Related Party Transactions with the principles indicated in the Regulation approved by Consob with resolution no. 17221 of 12 March 2010 and subsequent amendments, as well as its compliance, pursuant to art. 4, paragraph 6, of the same Regulation, taking into account the indications and guidelines contained in Communication no. DEM/10078683 of 24 September 2010;
- monitored on the financial reporting process, verifying compliance by the Directors with norms inherent to the preparation, approval and publication of the accounts of Cembre S.p.A. and the consolidated financial statements;
- ascertained the adequacy, in terms of method, of the impairment process implemented to determine the appropriateness of the value of goodwill recorded in the balance sheet assets;
- verified that the Report by the Board of Directors on Operations for the 2021 financial year complied with applicable legislation and was consistent with resolutions adopted by the Board of Directors and events represented in the accounts of Cembre S.p.A. and the consolidated financial statements;
- acknowledged the content of the consolidated half-yearly financial report, without it being necessary to make any comments, and ascertained that it was made public in the manner prescribed by law;
- verified that the Report on Operations for the 2021 financial year was in compliance with regulations in force and conformed with the facts represented in the statutory and consolidated financial statements;
- acknowledged that the Company issued Interim Reports on the Operations for the first and third quarters within the deadlines set by the previous regulations;
- supervised compliance with the provisions set out in Legislative Decree no. 254/2016 and examined the Consolidated Non-Financial Statement (DNF) and ascertained its compliance with the provisions governing its preparation pursuant to the aforementioned decree.

In its role as Internal Audit Committee, it also carried out the following activities pursuant to art. 19, paragraph 1 of Legislative Decree no. 39/2010 as amended by Legislative Decree 135/2016, the specific information, monitoring, control and verification functions provided therein, fulfilling the duties and tasks indicated by the aforementioned legislation.

Based on the information and data acquired during the monitoring activity carried out by the

Board of Statutory Auditors as described above, no fact from which to infer the lack of compliance with the law or the Company's By-laws or such as to justify its reporting to the Supervisory Body or worth mentioning in the present Report emerged.

With regard to the Covid-19 pandemic emergency, the Board of Statutory Auditors continued to supervise the adoption of the necessary measures to prevent and contain contagion in the workplace, in accordance with the indications given by the competent Authorities to allow the Company's business to continue, and acquired the necessary information not only during its own meetings but also during those of the Board of Directors and the Supervisory Board. It is acknowledged that in the Report on Operations, the Company provided a full, analytical description ("Implications of the Covid-19 pandemic") of the measures adopted to limit the spread of the COVID-19 epidemic in the workplace and offered information on the initiatives taken to support the community, on the impact of the event on the net financial position and on the performance of loans. The same information has been issued for each Group company. In accordance with correct accounting principles, it should be noted that in the section of the Report entitled "Significant events occurring after the end of the year", the Company informed the reader that in relation to the Russian-Ukrainian conflict, the Cembre Group has no significant exposure in such markets and sales to the areas concerned are not significant, therefore the foreseeable loss of revenues that may be realised in such areas is not a cause for concern. There are also no problems related to direct supply from these countries.

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With reference to the activities carried out during the year - also in compliance with the indications provided by CONSOB, with Communication DEM/1025564 of 6 April 2001 and subsequent amendments and additions ("Communication on the contents of the report of the Board of Statutory Auditors to the Shareholders' Meeting pursuant to Article 2429, paragraph 3, of the Civil Code and Article 153, paragraph 1, of Legislative Decree no. 58/98 - Summary of the control activities carried out by the Board of Statutory Auditors") we report the following.

**1.** With regard to the financial year that is the object of the present Report, there do not emerge transactions carried out by the Company or its subsidiaries that may be considered significant or having a relevant economic or financial impact. In any case, the Board of Statutory Auditors monitored and verified - based on information in its possession - that operations carried out were in compliance with the law, the Company's By-laws and correct management principles, were not manifestly imprudent, did not constitute a potential conflict of interest, were not in contrast with Shareholders' resolutions taken or were such as to

compromise the integrity of the company's assets.

2. In the course of its audits, the Board of Statutory Auditors did not identify any atypical and/or unusual transactions, nor any significant non-recurring transactions, including those between group companies or with related parties as defined in Consob Communication no. DEM/6064293 of 28 July 2006. We acknowledge that information provided in the Financial Report on such transactions, is adequate.

3. The characteristics of transactions with subsidiaries and related parties carried out by the Company and its subsidiaries in 2021, entities involved and the related economic effects, are reported in the "Related party transactions" paragraph of the Report on Operations and the chapter on "Related Party disclosure" of the financial statements, to which we refer.

Transactions with Related Parties, identified on the basis of international accounting standards and the provisions issued by Consob, are regulated by an internal procedure (the "Procedure"), adopted by the Company's Board of Directors on 11 November 2010 in compliance with the provisions of Article 2391-bis of the Italian Civil Code and the Regulations issued by Consob with Resolution no. 17221 of 12 March 2010. Following the amendments to the said Regulation by Consob Resolution No. 21624 of 10 December 2020, the Board of Directors, by resolution of 24 June 2021, approved its update in accordance with the amendments made.

At its meeting on 25 February 2021, the Board of Directors, with the approval of the Related Parties Committee, approved the signing of a lease agreement with Borno Ltd for £ 65,000 per annum and an increase in the rent with Tha Immobiliare S.p.A. of €1,400 per annum due to the concession of a new area.

The Board of Statutory Auditors monitored the conformity of the Procedure with the provisions of the Regulation and its correct application.

4. It is hereby acknowledged that on 24 March 2022 the auditing firm EY S.p.A. issued the Reports pursuant to Article 14 of Legislative Decree no. 39/2010 and Article 10 of Regulation (EU) no. 537/2014, in which it certified that:

- "the Financial Statements give a true and fair view of the financial position of the Company as at 31 December 2021, of its results of operations and of its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the measures issued in implementation of art. 9 of Italian Legislative Decree no. 38 of 28 February 2005";

- “the Report on Operations and some specific information contained in the Report on Corporate Governance and Ownership Structure are consistent with the Financial Statements of Cembre S.p.A. for the financial year closed 31 December 2021 and are prepared in compliance with applicable norms and regulations”;
- “the opinion on the Financial Statements expressed in the aforementioned Report is in line with that indicated in the Additional Report for the Board of Statutory Auditors, in its capacity as Committee for Internal Control and Audit, prepared pursuant to art. 11 of the aforementioned Regulation”.
- “the financial statements have been prepared in XHTML format in accordance with the provisions of Delegated Regulation” (EU) 2019/815.

In its Report on the audit of the financial statements, the Independent Auditors also declared to have verified approval by the directors of Cembre S.p.A. of the Consolidated Non-Financial Declaration, prepared in accordance with the provisions of D.Lgs 254/2016, for the year 2021.

The audit report of the financial statements sets out the key audit matters (*KAMs*) that in the auditors’ professional judgement are of most significance in auditing the individual financial statements for the year under review. In particular, EY S.p.A. for the financial statements of Cembre S.p.A. at 31 December 2021 did not identify key issues to be disclosed in the report.

In its Reports, the Independent Auditors did not highlight any findings or requests for information, nor did they make any statements pursuant to art. 14, paragraph 2, letters d) and e) of Legislative Decree no. 39/2010.

On 24 March 2022, the Independent Auditors also:

- transmitted to the Board of Statutory Auditors in its capacity of Committee for Internal Control and Audit, the Additional Report provided for in Article 11 of Reg. EU no. 537/2014 issued on the same date;
- issued, in accordance with Art. 3, paragraph 10 of Italian Legislative Decree no. 254/2016 and Art. 5 of Consob Regulation Resolution no. 20267/2018, the “Independent Auditors’ report on the consolidated non-financial declaration”. In their report, the Independent Auditors stated that, based on the work performed, no elements came to their attention that would suggest that the Cembre Group’s Consolidated Non-financial Declaration for the year ended 31 December 2021 was not drafted, in all its significant aspects, in compliance to the provisions of articles 3 and 4 of the Decree and the GRI Standards, with reference to the *GRI Standards*.

During the periodic meetings of the Board of Statutory Auditors with the Independent

Auditors, pursuant to art. 150, paragraph 3 of Legislative Decree no. 58/1998, no aspect worthy of mention in the present report emerged, nor did it receive from the same information on facts deemed to be reprehensible in connection with the performance of the audit carried out.

The Board of Statutory Auditors, in its capacity as Committee for Internal Control and Audit, has: (i) examined the transparency report and the additional report prepared by the Independent Auditors in compliance with criteria set out in Reg. EU 537/2014, noting that on the basis of the information acquired, no critical aspects had emerged in connection with the statutory audit, (ii) verified and monitored the independence of the independent auditing firm in accordance with Art. 19, paragraph 1, letter e) of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree no. 135/2016, discussing any onset of situations with it that could potentially give rise to risks relating to its independence and any measures to be taken to reduce or neutralise such, in accordance with Art. 6, paragraph 2, lett. b) of Reg. EU 537/2014, (iii) received confirmation in writing from the Independent Auditors, on 24 March 2022, that in the period from 1 January 2021 to the date of issue of the Report, the ethical standards set forth in articles 9 and 9-bis of Legislative Decree 29/2010 were respected and that no situation was found that might compromise its independence from Cembre S.p.A. pursuant to articles 10 and 17 of Legislative Decree 39/2010 and Articles 4 and 5 of the European Regulation 537/2014, (iv) noted that under "Other matters" in relation to the Russian-Ukrainian conflict, EY considers that the Company has provided adequate disclosure in the "Material non-adjusting events after the reporting period" section and that the events in question should be considered as non-adjusting events after the reporting period (IAS 10 Events after the Reporting Period requires the disclosure of material non-adjusting subsequent events) and therefore not taken into account in the estimates and judgements incorporated in the financial statements as at 31 December 2021.

The Board of Statutory Auditors has informed the Company's Board of Directors on the results of the statutory audit and, to this end, has sent the Chair of the Board of Directors the Additional Report in accordance with Art. 19 of the Decree.

**5-6.** During financial year 2021 and through the date of this Report, no complaints have been received pursuant to Art. 2408 of the Civil Code, nor complaints from shareholders or third parties, and therefore no action was taken by the Board of Statutory Auditors.

The Board is also not aware of any other facts or allegations to be reported to the Assembly.

**7-8.** The Board monitored the nature and extent of the services other than the main auditing

engagement rendered to the Company and to the other companies of the Cembre Group by EY S.p.A. and by the entities included in its network.

Please be advised that non-audit services have been provided and details of audit and other service fees have been reported by the Directors in the schedule prepared pursuant to Art. 149-duodecies of CONSOB Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions (“Regulation implementing legislative decree no. 58 of 24 February 1998, concerning the regulation of issuers”, so-called “Issuers’ Regulations”).

The Board of Statutory Auditors has verified the compatibility of this appointment with the current legislative provisions and specifically with the provisions of Article 17 paragraph 3 of Legislative Decree No. 39/2010 as amended by Legislative Decree No. 135/2016 and with the prohibitions set out in Article 5 of EU Regulation No. 537/2014 referred to therein. Based on these verifications it expressed its opinion as required by current regulations.

In relation to the aforementioned assignments, the Board of Statutory Auditors, in its role as the Internal Control and Audit Committee, has fulfilled the duties required by art. 19 paragraph 1, letter e) of Legislative Decree no. 39/2010 as amended by Legislative Decree 135/2016 and art. 5 paragraph 4 of Reg. EU 537/2014 by approving in advance, where required by the regulations in force, assignments other than the statutory audit, verifying their compliance with the relevant regulatory provisions, as well as their compatibility with the prohibitions and limitations provided for by law.

**9.** The Board of Statutory Auditors, in accordance with the law and regulatory provisions, issued the opinions requested in 2021 on the integration of the fee in favour of the independent auditors EY S.p.A. for the audit of the Statement of Research and Development expenses and the impairment test on the value of goodwill recorded among the balance sheet assets in the consolidated financial statements.

The Board of Statutory Auditors has also expressed its opinion in all those cases in which it has been requested to do so by the Board of Directors in the context of those decisions that require the prior opinion of the Board of Statutory Auditors.

**10.** In general, with the end of acquiring information instrumental in carrying out its monitoring activities, in 2021 the Board of Statutory Auditors

- held a total of thirteen board meetings, as required by law, for periodic audits, budget, controls and due deliberations. Activities carried out in said meetings are documented in the related minutes. All meetings were attended by all members;

- attended all six of the Board of Directors' Meetings during which Directors informed the Board of Statutory Auditors on the main transactions of economic and financial relevance carried out by the Company and its subsidiaries;
- attended the Shareholders' Meeting on 27 April 2021;
- met twice as a Board with the Company's independent auditors, E.Y. S.p.A. without the submission of any relevant aspects or circumstance worthy of mention in the present Report;
- through its Chairman, attended two meetings of the Appointments and Remuneration Committee;
- attended five meetings of the Control and Risk Committee, two of which were attended only by the Chairman and one by his delegate, during which he received information on the activities carried out by the latter;
- also attended four meetings of the Supervisory Board, one of which was attended only by the Chairman and one by his delegate.

**11.** The Board of Statutory Auditors monitored compliance with the Law and the By-laws and the respect of correct management practices, ensuring that operations resolved and carried out by Directors were consistent with said rules and principles in addition to being inspired by rational economic principles and not manifestly imprudent or excessively risky, in contrast with resolutions taken by the Board or such as to compromise the integrity of the company's assets;

The Board believes that the instruments and governance institutes adopted by the Company are valid to ensure respect of the principles of correct administration.

**12.** The Board of Statutory Auditors has acquired direct knowledge and supervised, to the extent of its competence, and in relation to the size of the Company, the adequacy of the Company's organisational structure, also by means of an exhaustive collection of information from the Managers of the various corporate functions, with the head of the Internal Audit function, with the Control and Risk Committee, with the Supervisory Board and with the Independent Auditors, for the purposes of the reciprocal exchange of relevant and non-relevant data and information.

In light of verifications carried out and the absence of critical situations, the organizational structure of the Company appears adequate to its corporate goal, the characteristics and size of the company.

We did not find any particular shortcomings, serious critical issues or situations to be

reported here regarding the effective functioning of bodies, functions, systems and procedures, having taken note of the improvement actions put in place to make the organisational structure more efficient. The organisation and services are adequate and promptly and adequately fulfil the necessary requirements, both from the point of view of regulatory provisions and for the purposes of correct, effective and efficient company management

**13.** With regard to the adequacy and effectiveness of the internal auditing and risk management system, also at the consolidated level, the Board of Statutory Auditors carried out its task through the exhaustive collection of information, by:

- reviewing the report of the Person in charge of Internal Audit on the adequacy and functioning of internal audit and risk management systems of the Company;
- attending meetings of the Internal Control and Risk Committee and of the Supervisory Body;
- reviewing the report of the Internal Control and Risk Committee on the internal audit system;
- reviewing information on measures taken and procedures adopted pursuant to Legislative Decree 231/2001 and subsequent amendments, on the administrative responsibility of organizations with regard to crimes referred to in the above legislation;
- reviewing information on monitoring activity for hygiene, employee safety and the environment in general, and on the implementation of corrective action, also by seeking specific independent advice;
- reviewing the results of work carried out by the independent auditors;
- reviewing information provided by the management and respective boards of subsidiaries, pursuant to commas 1 and 2 of article 151 of Legislative Decree 58/98;
- certification of the financial statements pursuant to art. 81-ter of Consob Regulation of 14 May 1999 and subsequent amendments and additions, signed by the Chief Executive Officer and the Manager responsible for preparing the company's financial reports.

The Board of Statutory Auditors also interfaced with the Person responsible for Internal Audit to evaluate the audit plan and its outcome, both in its introduction phase, and in that of the review of verifications performed and the related follow-up.

The Company adopted the Organizational Model contemplated by Legislative Decree 231/2001 (the "Model 231") of which the Code of Ethics is an integral part. The Model is continually updated to bring it into line with normative changes introduced over time.

The Board acknowledges that the yearly reports of the Internal Audit Department close with an overall favourable opinion of the internal control structure.

It should be noted that the meetings of the Board of Directors and the various Committees have been preceded by information and documentation on the topics to be dealt with in full respect of the confidentiality of the Company's acts and documents.

In view of the supervisory activities carried out and taking into account the assessments of the adequacy, effectiveness and actual functioning of the internal control and risk management system made by the Control and Risk Committee and the Board of Directors, the Board of Statutory Auditors considers, to the extent of its competence, that the system as a whole is reliable, effective and able to act with adequate timeliness.

**14.** The Board also monitored the ability of the managerial accounting system of the Company to correctly represent the performance of the Company through the gathering of information from the Appointed Manager and competent head of departments, the review of corporate documents and the analysis of results of work carried out by the independent auditors. In particular, the Board reports that in 2021 the Appointed Manager verified, with the help of the Internal Audit Department, the adequacy and actual application of administrative and accounting procedures as per article 154-bis, TUF; such activity allowed to attest that the financial statements provide a true and correct representation of the financial situation and economic performance of the Company and its subsidiaries.

Following the May 2018 acquisition of Ikuma GmbH and the related Purchase Price Allocation, carried out for the purposes of the Group's consolidated financial statements, an impairment test was performed on goodwill, in accordance with IAS 36. The analysis was conducted by the Company and approved by the Board of Directors during the meeting held on 3 March 2022. The impairment procedure, its methodological framework and its results were monitored by the Board of Statutory Auditors through participation in the meeting of the Control and Risk Committee, which examined them.

In view of the supervisory activities carried out and also taking into account the assessment of the adequacy of the Company's organisational, administrative and accounting structure made by the Board of Directors at its meeting of 14 March 2022, the Board of Statutory Auditors considers, to the extent of its competence, that this system is adequate and reliable for the purposes of correct and timely representation of management events.

**15.** The Board monitored the adequacy of instructions imparted to subsidiaries pursuant to article 114, paragraph 2, of Legislative Decree no. 58/98 and subsequent amendments, and on the correct flow of information between them, and deems the Company to be capable of complying with disclosure requirements set by Law, without exception. With reference to subsidiary Cembre Inc., incorporated in the US, and Cembre Ltd, with registered office in the United Kingdom, and therefore not operating under the laws of the EU, whose accounts are audited, we attest that the administrative, accounting and reporting systems used are adequate in providing a regular flow of operating and financial information to the company's management and Independent auditors.

There are no comments to be made on the adequacy of the instructions given to the subsidiaries for the purpose of acquiring the information flows needed to ensure timely compliance with the reporting obligations required by law.

**16.** In compliance with article 150, paragraph 3 of TUF, periodic meetings with the Independent Auditors were carried out to verify the reliability of the management and accounting system of the Company and the internal control system. No relevant aspect requiring further analysis or the existence of censurable facts emerged.

With particular reference to the functions assumed pursuant to art. 19 of Legislative Decree no. 39/2010, the Board of Statutory Auditors, also in the context of the meetings held with the Independent Auditors, reviewed the Group's audit plan, received information on the process of identifying and assessing risks, on the areas of focus in the audit of the consolidated and separate financial statements, on the identification of key audit aspects (*KAMs*) in accordance with Isa Italia 701, on the audit strategy, the *audit findings*, the impact on the financial statements and the organisation and performance of the audit work arising from the spread of the Covid-19 outbreak, the accounting principles used, the accounting representation of the most significant transactions during the year under review, the outcome of the audit, the key audit matters arising in connection with the financial reporting process and from which, in any case, no significant deficiencies were found in the internal control system in relation to the financial reporting process.

**17.** The Company has adopted the Corporate Governance Code of listed companies approved by the Corporate Governance Committee promoted by Borsa Italiana S.p.A.. The corporate governance system adopted by the Company and its operations are described in detail in the Report on Corporate Governance and Ownership Structure for the financial year 2021, approved by the Board of Directors on 14 March 2022.

In accordance with the provisions of the Corporate Governance Code, the Board of Statutory Auditors verified, during the course of the financial year, the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of the “independent non-executive Directors” and compliance with the composition requirements of the administrative body as a whole.

In regard to the provisions on gender introduced by Art. 1, paragraph 302 and 303 of Italian Law no. 160/2019 and included in Art. 144-undecies.1 of the Issuers’ Regulation, on February 25, 2021, the Board of Directors resolved to adapt the By-Laws to comply with these new legislative provisions, accordingly amending Article 15, paragraph 5 and Article 23, paragraph 1. During this same meeting, the update of the regulations governing the Appointments and Remuneration Committee was also approved, so as to align it with the provisions of the new Borsa Italiana Regulation for companies in the STAR segment and to update the Organisation, Management and Control Model in accordance with Italian Legislative Decree no. 231/2001 of the protocols on “monetary, financial and cash flows and infra-group transactions”, “trademarks and patents”, “environmental protection” and “information flows to the SB”.

The Board also carried out a self-assessment of the independence of its members, in line with the provisions of the Rules of Conduct of the Board of Statutory Auditors of listed companies issued by the National Council of Chartered Accountants. The outcomes, the assessments made and the final indications of the Board were discussed collectively during the meeting held on 7 February 2022, and subsequently summarised in the “*Report on the Self-evaluation of the Board of Statutory Auditors*”, which was delivered to the Chair of the Board of Directors on 15 February 2022. A specific paragraph in the “Report on Corporate Governance and Ownership Structures” explains the procedures and results of the process, which confirmed that the requirements of the law and the above-mentioned Corporate Governance Code were met. It is also acknowledged that no Statutory Auditor had any interest, on their own behalf or on behalf of third parties, in any transaction of the Company during the year and that the members of the Board of Statutory Auditors complied with the limit on the number of appointments that may be held by members, prescribed by art. 144-terdecies of the Issuers’ Regulation.

According to the Regulation of the incentive plan called “*Carlo Rosani Award for the 50th anniversary of the founding of the Company*” set up pursuant to article 114-bis of Legislative Decree 58/98 and approved by the competent bodies on 14 May 2019, which provides for the assignment to managers and middle managers of the companies of the Cembre Group

previously identified by the Board of Directors, of the right to acquire, in accordance with specific conditions, shares in the company at a pre-determined price, at the meeting of the Board of Directors held on 11 March 2021, the fulfilment of the “Conditions for the assignment and exercise of rights” set out in Article 6.1 of the Regulations was verified, which, due to the exceptional nature of the events occurring in 2020, resulting from the Covid-19 pandemic, were not achieved. The Appointments and Remuneration Committee, having acknowledged that the failure to achieve the objectives was due to unforeseeable and uncontrollable events, proposed to apply the exemption provided for in art. 6.5 of the above Regulations, which was accepted by the Board of Directors, which resolved to update the text of the Regulations. In the subsequent period in which the plan rights were exercised, the beneficiaries expressed their adhesion and therefore 21,500 shares were allocated to them out of 22,000 shares that could be allocated.

We refer to the Report on Corporate Governance and Ownership Structure for more information on the Company’s Corporate Governance, with regard to which the Board has no further observations to report.

**18.** With reference to the conclusive assessments on the supervisory activity carried out with the full cooperation of the corporate bodies, the persons in charge of administration and management, the Internal Audit and the Independent Auditors EY S.p.A., the Board can certify that:

- information provided by Directors in the Report on Operations is deemed exhaustive, complete and consistent with resolutions adopted by the Board of Directors and facts represented in the Financial Statements;
- the Report on Operations includes, in addition to the Comparative Consolidated Income Statement and a list of Members of Corporate Boards, information on performance indicators, investments made, environmental management, workplace safety, research and development activities, in addition to reporting detail of main risks and uncertainties connected with the overall economic situation, the market for the Company’s products, credit markets, liquidity, interest rates, exchange rates, the integrity and reputation of the Company;
- in the periodic verifications and checks performed on the Company, we did not encounter any atypical or unusual transaction either with third parties, related parties or between Group companies;
- with regard to transactions between Group companies and those with related parties, the Report on Operations and the Notes to the financial statements describe and explain

- exchanges of goods and services between the Company and its subsidiaries or other related parties, attesting that the same were carried out at market conditions, keeping into account the quality of goods and services exchanged;
- the Report on remuneration policy and compensation paid was prepared, pursuant to art. 123-ter of Legislative Decree 58/98 and art. 84-quater of Consob Regulation 11971/1999, verifying compliance with legal requirements and with no particular observations to report;
  - in the field of risk management and financial instruments, the nature and amount of risks were reported;
  - the Audit Report does not contain reference to lack of disclosure or related observations and proposals;
  - in compliance with articles 123-bis TUF and 89-bis Consob Issuers' Regulations, it is acknowledged that the Directors in their "Report on Corporate Governance and Ownership Structure", specify that the Cembre Group adheres and complies with the "Code of Corporate Governance", prepared by the Committee for the Corporate Governance of listed companies, with the necessary additions and adjustments, for the adhesion to the Star segment regulation;
  - the adoption of said Code was verified by the Board of Statutory Auditors and represented the subject, in its various aspects, of the Report on Corporate Governance, to which we refer.

Furthermore, the Board of Statutory Auditors verified that the Company fulfilled its obligations under Legislative Decree no. 254/2016 and that, in particular, has drafted the Consolidated Non-Financial Declaration, in compliance with the provisions of art. 4 of the same decree. Consequently, the Board of Statutory Auditors acknowledges that the Company, possessing the necessary requirements, has availed itself of the option to be exonerated from drafting the individual non-financial declaration, as envisaged by art. 6, paragraph 1 of Italian Legislative Decree 254/2016. The decision was accompanied by the required certifications of the Independent Auditors regarding the compliance of the information provided in the document with the provisions of the mentioned legislative decree with reference to the standards, methods and procedures established for their preparation, also pursuant to Consob Regulation no. 20267 of 18 January 2018. In said Declaration, the Company took into account the impact of the COVID-19 pandemic on the business management and organisational model, on risk management and on non-financial matters. Specific attention has been paid to the management of environmental, social and personnel issues, including health and safety at work, the application of remote working and the related policies

implemented in favour of employees and in relations with suppliers. Finally, other aspects such as anti-corruption management, supply chain management, legal and taxation management and innovation management are examined.

The Board of Statutory Auditors also attests, pursuant to article 150 of Legislative Decree no. 58/98 and subsequent amendments, that no data or relevant information, omissions, censurable facts, irregularities or in any case significant events worth reporting to relevant Authorities or Supervisory Bodies, or of mention in the present report have emerged.

**19.** Based on the above, in relation to monitoring activities carried out in the year, the Board of Statutory Auditors has no observation to make or proposal to formulate to the Shareholders' Meeting pursuant to article 153, paragraph 2 of Legislative Decree no. 58/98.

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The financial statements for the year, for which compliance with the laws governing their preparation and formation has been verified through the controls carried out by the Board of Statutory Auditors, within the limits of its competence, pursuant to art. 149 of Legislative Decree no. 58/98 and subsequent amendments, having ascertained that no exceptions have been made pursuant to art. 2423, fourth paragraph, of the Italian Civil Code, on the basis of the information and accounting data in the financial statements audited by the Auditing Firm, shows a profit of €23,419,786, compared to a profit of €16,455,237 in the previous year.

The Board of Statutory Auditors therefore deems the Financial Statements at 31 December 2021 and the proposed allocation of net profit for the year submitted by the Board of Directors to be suitable to receive your approval.

Dear Shareholders, at the end of our Report we would like to express our warmest thanks to all those who have actively contributed to our activities and to you for the trust and esteem shown to us by our appointment.

Brescia 24 March 2022

For the Board of Statutory Auditors

The Chair

*signed by:*

Dr Fabio Longhi