



**Guidelines on the Board of Statutory Auditors of IREN S.p.A. to be
elected at the Shareholders' Meeting of 6 May 2021**

DOCUMENT APPROVED BY THE OUTGOING BOARD OF STATUTORY AUDITORS
AT ITS MEETING ON 5 FEBRUARY 2021
CONSISTENT WITH THE RULES OF CONDUCT OF THE BOARD OF STATUTORY AUDITORS OF LISTED COMPANIES
ISSUED BY THE NATIONAL COUNCIL OF CHARTERED ACCOUNTANTS
ON 26 APRIL 2018



Dear Shareholders,

with the approval of the financial statements at 31 December 2020, the term of office of this Board of Statutory Auditors expires. The next Shareholders' Meeting, called for 6 May 2021, will therefore appoint the Company's Control Body for the 2021-2023 financial years and determine its remuneration.

FOREWORD

The "Rules of Conduct for the Board of Statutory Auditors of Listed Companies" (ed. April 2018) recommend, inter alia, that outgoing Statutory Auditors send to the Shareholders, in view of the renewal of the control body, a document summarising the activities carried out, specifying the number of meetings and the commitment required, in order to allow Shareholders and the candidate Auditors to evaluate the characteristics, skills and professionalism appropriate, the commitment and time required, as well as the adequacy of the remuneration for the performance of the task (Standard Q.1.6).

As expressly referred to in Principle VIII of the Corporate Governance Code prepared by the Italian Corporate Governance Committee of Borsa Italiana S.p.A. (ed. January 2020) to which the Company has declared to adhere with effect from 1 January last, "*the control body has a composition suitable to ensure the independence and professionalism of its function*". Taking into account the governance solution adopted by the Group, the outgoing Board of Statutory Auditors, on the basis of its own experience, hereby submits to your attention a number of considerations and reflections aimed at (i) framing the complexity of the assignment in terms of time commitment, study and assumption of related responsibilities; (ii) optimising the qualitative and quantitative composition of the control body to be appointed for an efficient and effective planning of the respective activities; and, on the other hand, (iii) allowing for assessments regarding the adequacy of the remuneration for the performance of the assignment.

COMPLEXITY OF THE ASSIGNMENT IN TERMS OF COMMITMENT OF TIME AND RESOURCES AND ASSUMPTION OF RELATED RESPONSIBILITIES

First of all, it should be noted that the Control Body of a listed Parent Company, such as your Company, is also committed in its control activities to monitor the operations of first level subsidiaries, in which the operating activities relating to the business lines are carried out, and coordination with the activities of the indirect subsidiaries.

In consideration of the size of the Group, its structure, the specific operating features of the multi-utility and the relevance and heterogeneity of the reference regulations, the Board of Statutory



Auditors to be appointed will be burdened with a considerable commitment and associated responsibilities, also in relation to the duties towards the various Supervisory Authorities¹.

To this should be added, inter alia, the tasks attributed to the Control Body as the Internal Control and Accounting Audit Committee pursuant to Legislative Decree no. 39/2010, as well as the new tasks deriving from the regulations on non-financial reporting pursuant to Legislative Decree no. 254/2016 and from the most recent regulation on environmental social governance.

It is therefore clear that the Statutory Auditors who will be appointed must be aware that the position will take up a significant part of their time, due to the numerous meetings of the Board of Directors, of the intra-board committees (in which participates the Chair of the Board of Statutory Auditors and/or a Statutory Auditor designated by him) and of the Board of Statutory Auditors itself. It should also be pointed out that the commitment does not end with participation in the above-mentioned meetings. Even more important is the time that must be dedicated individually to examining the copious documentation that is produced so that the Corporate Bodies/Intra-Board Committees are adequately informed for the purposes of adopting the resolutions for which they are responsible - taking into account the risk profiles as well as any relations with related parties -, often relating to complex extraordinary management operations. To this must be added the participation in sessions or days of induction on various topics of interest, aimed at providing updates and in-depth analysis on governance issues or specific Group activities.

Reiterating that this numerical figure is only partially indicative of the actual commitment required, being much more relevant the individual activity, the following are the statistics of the minuted meetings attended by the outgoing Board of Statutory Auditors during the three-year term of office 2018 - 2020².

¹ In fact, it is worth remembering here that:

- the parent company IREN, as a listed company, is subject to Consob supervision. In this regard, attention is drawn to the recent regulatory changes resulting from the transposition of Directive 2017/828/EU (so-called Shareholder Rights Directive II, SHRD II), which introduced stricter sanctions with regard to transparency requirements for remuneration and related party transactions;
- as of 1 June 2020, the subsidiary IREN Mercato S.p.A. has obtained registration in the Register of Payment Institutions pursuant to art. 114-septies of Legislative Decree no. 385/1993, which means that it is subject to the control of the Bank of Italy as a payment institution;
- the subsidiaries IREN Ambiente S.p.A., Ireti S.p.A. and IREN Energia S.p.A., as well as IREN Mercato S.p.A. itself, considering their respective areas of activity, are subject to the supervision of the Regulatory Authority for Energy, Networks and Environment ("ARERA") and, for some sectors, taking into account the regulations on the organisation of public network services, also to the control of the governing body of the respective area or optimal territorial catchment in which the IREN Group companies operate. In this regard, within the scope of the separate sector regulations, no specific obligations to provide information to ARERA are imposed on the Parent Company's Control Body, with the exception of the powers/duties reserved to it with regard to compliance by the service operators with the detailed obligations to provide information to ARERA.

² The number of meetings of the Corporate Bodies and of the Intra-Board Committees was counted by year of office and, therefore, from the date of approval of the financial statements at the time of their establishment to the date of approval of the next financial statements and so on until the last year of the term of office. With reference to the current last year of the mandate, were also counted the meetings held up to the date of publication of this document in view of the Shareholders' Meeting of 6 May 2021. Any joint meetings between intra-board Committees and/or with the Control Body were counted only once.



CORPORATE BODIES AND INTRA-BOARD COMMITTEES	NUMBER OF MEETINGS			
	2018	2019	2020	FULL MANDATE
BOARD OF STATUTORY AUDITORS	23 ³	11	11	45
BOARD OF DIRECTORS	21	17	18	56
COMMITTEE FOR TRANSACTIONS WITH RELATED PARTIES	5	12	9	26
AUDIT, RISK AND SUSTAINABILITY COMMITTEE	14	14	12	40
REMUNERATION AND APPOINTMENTS COMMITTEE	21	13	11	45

The outgoing Board of Statutory Auditors therefore invites the Shareholders' Meeting to pay the utmost attention to the above, in the interest of the Company and of the members of the new Control Body, who must guarantee adequate time availability for the performance of their duties, taking into account the number and complexity of the positions they may hold on the corporate bodies of other companies – also in compliance with the pro tempore regulations in force regarding the accumulation of positions –, as well as the commitment required by the additional professional activities carried out.

QUALITATIVE AND QUANTITATIVE COMPOSITION OF THE CONTROL BODY FOR EFFICIENT AND EFFECTIVE PLANNING OF THE RESPECTIVE ACTIVITIES

As mentioned in the introduction, the professionalism and independence of the Statutory Auditors are a fundamental element at the top of the internal control system. Referring in full to the requirements of independence and professionalism, to the profiles inherent in respect of gender quotas, as well as to the causes of ineligibility, incompatibility and forfeiture set out in the legislation pro tempore in force, the outgoing Board of Statutory Auditors invites the Shareholders' Meeting to consider the importance of the new Control Body being made up of professionals with diversified skills in the areas of business administration and accounting, corporate finance and corporate law and with experience in companies operating in the IREN Group's reference sectors. From this standpoint, the increase in the number of members of the Board of Statutory Auditors from three to five will encourage a balanced composition of the Body. An important role will be played by the Chair of the Board, who will have to be endowed with experience, competence and authority in order to carry out its tasks of organisation and coordination of activities.

³ The significant number of meetings of the Control body held over the 2018 term of office (and, therefore, from 19 April 2018, as the date of approval of the 2017 financial statements and appointment of the Control body, to 22 May 2019, as the date of approval of the 2018 financial statements) was determined by the complex and articulated preliminary investigation, carried out as the Internal Control and Accounting Audit Committee, which led to the issuing of the Recommendation, pursuant to Articles 16, para. 2 EU Regulation No. 537/2014 (so called EIP Regulation) and 13 paragraph 1 of Legislative Decree no. 39 of 2010, for the appointment of the Group's auditing firm for the nine-year period 2021-2029.



Considering the importance of the role played by the Parent Company's Board of Statutory Auditors, the outgoing Board of Statutory Auditors invites you to consider the benefits that may accrue to the company from the continuity of the actions of the auditors currently in office (who in no case have been involved in sanction proceedings by the Supervisory Authority during their term of office), enhancing and capitalising on the commitment already made and the experience gained. The increase in the number of members of the Board of Statutory Auditors may favour continuity of action and, on the other hand, bring in new energy and skills of valid professionals.

ADEQUACY OF THE REMUNERATION FOR CARRYING OUT THE ASSIGNMENT

The remuneration that the Shareholders' Meeting will approve in favour of the Control Body should be commensurate with the growing commitment required, including the need for constant professional updating, as well as their tasks and responsibilities. And this is not only because it constitutes a clear and unequivocal recommendation of the Code of Corporate Governance (ed. January 2020), of the Rules of Conduct of the Board of Statutory Auditors of listed companies (ed. April 2018), and even of authoritative representatives of the Supervisory Authority. But above all, also in compliance with the express provisions of art. 30 of the current Articles of Association, so that the dutiful requests made by the Shareholders' Meeting to the new members of the Board of Statutory Auditors, chosen from among the most qualified professionals, regarding the time they will have to dedicate to the Company and the Group, are consistent with a fair remuneration in line with market best practices.

In this regard, the outgoing Board of Statutory Auditors, with the support of a qualified advisor (E&Y), carried out a benchmark analysis of its own remuneration position compared to the main comparables in terms of size and/or sector, the results of which were also brought to the attention of the Company's Board of Directors. The Peer Group is made up of 20 listed companies, mainly on the FTSE Mib and Mid Cap indices, selected on the basis of: (i) total assets on the Consolidated Balance Sheet as of 31 December 2019; (ii) revenues for the year 2019; and (iii) number of employees as of 31 December, 2019.

The analysis shows that the fees envisaged by comparable companies for the Chair and members of the Board of Statutory Auditors are significantly higher than those approved for the current Control body of IREN S.p.A., despite the fact that the company is positioned in the medium-high bracket of the sample. In particular, it should be noted that the remuneration for the Board of Statutory Auditors of IREN S.p.A. is lower than the lowest remuneration for the companies in the sample, and therefore below the minimum observed. An alignment of compensation, even if only with respect to the median figure, would require an increase of 61% for the chair and 67% for the statutory auditors. It is also worth noting that the remuneration of the Board of Statutory Auditors of comparable multi-utility companies is at the highest level in the sample, much higher than the median figure.



From the above, a very significant gap emerges between the remuneration approved by the Shareholders' Meeting in 2018 in favour of the Chair and the members of the outgoing Board of Statutory Auditors and the remuneration for similar offices provided for by the reference market.

Therefore, the Shareholders' Meeting, which will soon be called upon to elect the new Board of Statutory Auditors, is asked to review the compensation of the Chair and members of the Board of Statutory Auditors of IREN S.p.A. in order to bring it into line with market levels, with a view to making the remuneration policy of the Board of Statutory Auditors more consistent with the commitment required to perform the task and with the related responsibilities.

The outgoing Board of Statutory Auditors hopes that the "guidelines" brought to the attention of the Shareholders' Meeting can be considered a concrete aid in the process of selecting candidates to fill the position of Auditor and Chair of the new Board of Statutory Auditors, as well as for the purpose of defining an appropriate remuneration for the performance of the office.

The Board of Statutory Auditors of IREN S.p.A.