

## **GEOX SpA**

### **REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING CALLED FOR APPROVAL OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015 (art. 153 of Italian Legislative Decree no. 58/98)**

Dear Shareholders,

during the financial year ended 31 December 2015, we performed the supervisory activity provided for by the law, also taking into account the standards of conduct for the Board of Statutory Auditors recommended by the Italian Board of Chartered Accountants and Accounting Experts.

In particular, also in accordance with the provisions issued by Consob:

1. we oversaw compliance with the law and the articles of association;
2. we attended the meetings held by Shareholders, the Board of Directors, the Executive Committee and Committees within the Board, and we received from Directors periodic information on the general business performance and outlook, as well as the transactions with the most significant effects on the company's financial position, financial performance and cash flows approved and implemented during the financial year, also through subsidiaries, making sure that they were not manifestly careless, risky, in conflict of interest, in contrast with the shareholders' resolutions and the articles of association, or such as to jeopardise the integrity of corporate assets;
3. we did not find any atypical and/or unusual transactions with Group companies, third parties or related parties, as confirmed by the Board of Directors, the independent auditor, and the head of internal auditing;

4. we oversaw compliance of the Procedure concerning Transactions with Related Parties with the principles contained in the Consob Regulation, as well as the Company's actual compliance with this Procedure. The Board of Directors provided adequate disclosures, including on intra-group and related-party transactions. In particular, the latter are considered related and incidental to the fulfilment of the company's purpose as well as fair and consistent with the company's interests. In the Report on operations and Note 32 to the separate financial statements, the Board of Directors provided a detailed description of the transactions, which were all part of the ordinary course of business, carried out with subsidiaries and related parties, explaining their effects on the company's operations and financial condition and stating that they were completely transparent and conducted at arm's length;
5. the independent auditor Deloitte & Touche SpA informed us that, although the audit of the separate and consolidated financial statements at 31 December 2015, as well as the verification of the consistency between the report on operations and the financial statements, are not yet completed, it is reasonable to assume that the respective reports will not contain any qualifications, nor requests for additional disclosures or remarks on the consistency of the reports of operations with the financial statements;
6. during the financial year 2015 no claims pursuant to art. 2408 of the Italian Civil Code or complaints of any kind were made by third parties;
7. we oversaw the financial disclosure process; the effectiveness of the internal auditing and risk management systems; the audit of the annual and consolidated accounts; and the independence of the independent

- auditor, in particular concerning any non-auditing services rendered by it or companies in its network;
8. the independent auditor confirmed its independence and disclosed the non-auditing services rendered by companies in its network. Specifically, as reported in Annex 2 to the consolidated financial statements, during 2015 the Company did not assign Deloitte & Touche Spa any duties other than auditing the separate financial statements, the consolidated financial statements, and the interim report, as well as verifying whether the company kept proper accounting records and correctly recognised events in its accounting records. The Company received 80 thousand euros worth of tax consulting services from Studio Tributario Societario, which has a long-running relationship with Deloitte & Touche Spa. Furthermore, other Group companies received 12 thousand euros worth of additional services other than auditing from entities that have a long-running relationship with Deloitte & Touche Spa and are members of its international network;
  9. considering the declaration of independence issued by Deloitte & Touche Spa as well as the duties assigned to it and the companies in its network by the Company and the Group companies, we believe there are no critical issues concerning the independence of Deloitte & Touche Spa;
  10. during the financial year, we provided the opinions requested by the Board of Statutory Auditors in compliance with the law;
  11. during the financial year, the Board of Directors held 6 meetings, the Executive Committee 13 meetings, the Audit & Risk Committee 8 meetings, the Remuneration Committee 5 meetings, the Appointment Committee 1 meeting, and the Board of Statutory Auditors 8 meetings;

12. we acquired information and oversaw, within the scope of our responsibilities, compliance with the principles of sound management, through direct observations, the gathering of information from the heads of the company's functions and the executive responsible for preparing the company's accounting documents, and meetings with representatives of the independent auditor, also for the purposes of mutually exchanging data and information relevant for performing our respective duties. We found no elements worthy of note. In particular, with regard to the Board of Directors' decision-making processes, we ascertained, also by participating directly in board meetings, that Directors made management decisions in compliance with the law and articles of association, and verified that the relevant resolutions were supported by analyses and opinions – carried out in-house or, when necessary, by external professionals – concerning, above all, whether the transactions were reasonable and therefore in line with the Company's interests. During its meetings, the Board of Directors thoroughly analysed and discussed the periodic operating results as well as all aspects regarding the most significant transactions;
13. we acquired information about and oversaw, within the scope of our responsibilities, the adequacy of the Company's organisational structure and its functioning;
14. we assessed and oversaw the adequacy of the internal auditing and administrative-accounting systems, as well as the latter's reliability in presenting fairly the company's operations. We did so by (i) examining the reports in which the Managing Director and the executive responsible for preparing the company's accounting documents certified the adequacy and actual implementation of administrative-accounting procedures, the compliance of the accounting documents with IASs/IFRSs, the consistency of the

documents with the results of accounting records and entries, and that they present fairly the Company's financial position, financial performance and cash flows; (ii) examining the report of the Audit & Risk Committee on the Company's internal auditing system; (iii) obtaining information from the heads of the respective functions; (iv) examining and analysing the company's documents and the results of the work carried out by the independent auditor; (v) participating in the activities of the Audit & Risk Committee and the head of internal auditing, with whom we exchanged information about the results of his audits. No critical situations or facts emerged from the work carried out indicating that the Company's internal auditing system as a whole is not adequate;

15. we examined and obtained information on organisational and procedural activities carried out in compliance with Italian Legislative Decree 231/2001, on the administrative liability of legal entities for the offences outlined in said provisions. The board of statutory auditors, which was assigned the functions of the Supervisory Body, responsible for monitoring the effectiveness, functioning, compliance, and updating of the Organisational, Management and Control Model pursuant to the same Legislative Decree 231/2001, took note of the operations carried out during the year without reporting significant issues, facts or situations to be disclosed in this report;
16. during the financial year, we had periodic meetings and exchanges of information with representatives of Deloitte & Touche SpA, which revealed no significant issues, facts or situations to be disclosed in this report. In particular, (i) we assessed the audit plan drafted by Deloitte & Touche SpA, deeming it adequate for the Group's characteristics and size, and we oversaw the audit's effectiveness, certifying that it

was carried out in compliance with the audit plan and International Standards on Auditing (ISA);

17. although the independent auditor has not yet provided us with the report on any fundamental issues emerged during the audit as well as any material deficiencies in the internal auditing system with reference to the financial reporting process, based on the information received, we can reasonably assume that the report will not find significant problems;

18. we oversaw how the Company actually implemented the corporate governance rules established by the Corporate Governance Code it adopted – which conforms to the one prepared by the Corporate Governance Committee for listed companies at the behest of Borsa Italiana SpA – and found no particular problems, as reported also in the Directors' Report on Corporate Governance. Specifically, we checked whether the criteria and procedures adopted by the Board of Directors to assess the independence of its own “non-executive” members were properly implemented, as well as whether individual members of the board of statutory auditors satisfied the independence criteria.

The Directors also prepared the Remuneration Report, approved by the Board of Directors on 25 February 2016. In the report, the Directors illustrated the principles used to determine the remuneration of the members of governing bodies and key management personnel. The Report also contains the statement concerning fees paid to members of governing and auditing bodies and key management personnel, as well as the statement on their equity investments in the company;

19. we assessed and oversaw the adequacy of the instructions given to the subsidiaries, which allowed them to promptly provide the parent

company with the information necessary for fulfilling the disclosure obligations provided for by the relevant regulations;

20. with reference to the provisions relating to *significant* subsidiaries established under, and governed by, the law of non-EU countries, we noted that the Group's existing administrative-accounting and reporting systems allowed to make public the accounting records used to prepare the consolidated financial statements and were deemed suitable for regularly providing the Company's management and independent auditor with information on the Company's financial position, financial performance and cash flows necessary for preparing the consolidated financial statements. Similarly, the information flow towards the central auditor, which encompasses the various levels of the company's control chain, is consistent throughout the whole financial year, and instrumental in auditing the Company's annual and interim accounts, was considered effective;

21. through information received from the independent auditor Deloitte & Touche SpA and the Company's management, we ascertained compliance with IASs/IFRSs and other legal and regulatory provisions concerning the preparation and presentation of the separate and consolidated financial statements as at 31 December 2015 and the relevant reports on operations.

With reference to the impairment tests as per accounting standard IAS 36, before the approval of the draft financial statements, the Directors approved the findings of the impairment test and verified its compliance with IAS 36.

During our supervisory activity as described above, we found no omissions, objectionable events or irregularities to be reported to the

relevant external control and supervisory bodies or mentioned in this report.

Based on the foregoing and within the scope of its responsibilities, the Board of Statutory Auditors finds no objections to the approval of the financial statements for the year ended 31 December 2015, carrying a profit for the year of 10,343 thousand euros, and to distribute the dividend to the extent proposed by the Board of Directors.

The mandate given to the Board of Directors and Board of Auditors expires with the approval of these financial statements. The Auditors acknowledge the trust put in them.

Biadene di Montebelluna, 21 March 2016

THE BOARD OF STATUTORY AUDITORS

Francesco Gianni, Chairman

Valeria Mangano

Francesca Meneghel