

7. Other information

Spread of COVID-19

With regard to the spread of COVID-19, the DeA Capital Group showed strong resilience in its operations and related financial results in 2020.

At the level of the Alternative Asset Management platform, the restrictive measures on mobility made necessary by COVID-19 led to a general slowdown in incoming and outgoing transactions for the funds under management; despite this, the management results for 2020 are positive and up compared to the same period last year.

At the Alternative Investment level, the spread of COVID-19 certainly affected the performance of this segment, which recorded a reduction in fair value at Group net income level.

In summary, the operating results recorded in 2020, together with the confirmation of the Alternative Asset Management platform's development capabilities, suggest that the resilience of the Group's economic performance remains intact for the future. Moreover, having maintained uninterrupted operational continuity with the timely and widespread adoption of a smart-working policy and through the implementation of a regulatory protocol for combating and containing the spread of the virus in the workplace, the Group was able to oversee the governance of its activities in this period of extraordinary uncertainty with a response capacity that was substantially unchanged compared to business-as-usual, all without significant costs/investments in terms of general and administrative expenses/capex.

ESG framework

Starting in 2019, the DeA Capital Group began defining policies on ESG issues aimed at rationalising and integrating into a homogeneous and governable framework the initiatives/criteria that already informed the management of the various strands of Alternative Asset Management business in which it operates. This rationalisation activity involved the subsidiary asset management companies first, providing, in particular:

- for DeA Capital Alternative Funds SGR, after adhering to the PRI, through the implementation of a dedicated policy, the adaptation of procedures and organisation with the activation of a team, the development of a proprietary tool for monitoring certain parameters in the companies in which the funds are managed, the achievement of an "A" rating from the PRI and the drafting, by 2020, of the first annual ESG report, as well as the launch of new ESG-based investment funds, such as Taste of Italy 2 and Sviluppo Sostenibile II;
- for DeA Capital Real Estate SGR, after joining the PRI, the activation of some parallel certifications of certain funds (GRESB), the adjustment of procedures and organisation with the activation of a team, the development of a screening and reporting tool and the start of the process to achieve a UN PRI rating .

At the end of 2020, the parent company DeA Capital S.p.A. also began a process of defining its own ESG framework (policy and governance, analysis of the first parameters to be monitored, definition of the ESG profile), with the aim of integrating and completing the process initiated at operating company level.

Treasury and parent company shares

As already indicated in the section on "Significant Events during the Year" above, to which reference should be made for further details, on 20 April 2020, the Shareholders' Meeting of DeA Capital S.p.A. authorised the Board of Directors to buy and sell, on one or more occasions and on a revolving basis, a maximum number of shares in the Company up to a stake of no more than 20% of the share capital (or approximately 53.3 million shares).

Movements in treasury shares during the 2020 financial year are summarised below:

- (i) allocation of 1,184,906 treasury shares under the 2016-2018 and 2017-2019 Performance Shares Plans of DeA Capital S.p.A.;
- (ii) purchase of 1,470,824 treasury shares (for a countervalue of EUR 1,653,031).

Taking into account the movements in previous years and the movements of treasury shares during the 2020 financial year, as described above, at 31 December 2020 the Company owned 6,922,403 treasury shares (or 2.6% of the share capital).

During 2020, the Company did not hold, purchase or sell, on its own account or through a trust company, any shares in the Parent Company De Agostini S.p.A.

Related Party Transactions

Transactions with related parties are reported in the "Other Information" section of the Notes to the Consolidated Financial Statements and the Notes to the Statutory Financial Statements.

Shareholdings, remuneration and performance shares of Directors, Auditors, General Manager/Managers with strategic responsibilities

Information regarding the holdings held by Directors, Auditors, General Manager/Managers with strategic responsibilities is reported in the relevant sections of the Annual and Consolidated Financial Statements.

Information on the remuneration, stock options and performance shares awarded to Directors, Auditors, General Manager/Managers with strategic responsibilities, as well as in the relevant sections of the consolidated and annual financial statements, is also included in the Remuneration Report pursuant to article 123-ter of TUF, in accordance with article 84-quater of the Issuers' Regulation, which is available to the public at the registered office of DeA Capital S.p.A., as well as on the company's website www.deacapital.com.

Management and coordination activities

The Company is controlled by De Agostini S.p.A., which, pursuant to article 2497-sexies of the Italian Civil Code, exercises management and coordination over the Company. Please see the Notes to the Financial Statements above for key figures from the latest approved financial statements of De Agostini S.p.A.

Research and development activities

Pursuant to art. 2428, para. 3 of the Italian Civil Code, the Company did not carry out any research and development activity in 2020.

Atypical or unusual transactions

Pursuant to Consob Communication 6064293 of 28 July 2006, in 2020 neither the Company nor the Group carried out any atypical or unusual transactions or significant transactions that were not a part of its ordinary operations.

Significant non-recurring events and transactions

Pursuant to the above-mentioned CONSOB Communication, the DeA Capital Group did not carry out any significant non-recurring transactions in 2020, as acquisitions or disposals relating to equity investments and funds in the portfolio should be considered ordinary activities.

Corporate Governance

For more information on the corporate governance structure of DeA Capital S.p.A., also adopted in application of the principles contained in the Corporate Governance Code approved by the "Committee for the Corporate Governance of Listed Companies" (the "Code"), please see the document "Report on Corporate Governance and Ownership Structure", published on the company's website (Governance section); a summary of the main information governing the corporate governance of DeA Capital S.p.A. follows.

Issuer profile

The Issuer's corporate governance structure is based on the traditional administration and control model, and hinges on the central role played by the Board of Directors, the proper disclosure of management decisions, an effective internal control system, the appropriate regulation of potential conflicts of interest, and on rigorous standards of conduct for carrying out transactions with related parties.

Degree of application of the Code

During the financial year and during the first months of 2021, the Company carried out activities to verify and adapt its governance structures and tools to the new Corporate Governance Code (applicable starting from the financial year 2021 and of which the market will be informed on the methods of application in the Corporate Governance Report to be published in 2022). With reference to the degree of application of the provisions contained in the Code, please refer to the "Report on Corporate Governance and Ownership Structures", published on the Company's website (Corporate Governance section).

Corporate bodies

- The **Board of Directors** consists of eleven members - nine of whom are non-executive and five of whom are independent - and plays a central role in the corporate governance system of DeA Capital S.p.A. In particular, it has the power and the duty to manage the Issuer's business, pursuing the ultimate and primary objective of creating value.

Pursuant to the articles of association, the Board manages the Company's business and is invested with all the administrative powers needed for this purpose, with the exception of those powers reserved for the shareholders' meeting, pursuant to legislation and the articles of association. The Board of Directors has granted the Chairman of the Board, Lorenzo Pellicoli, and the Chief Executive Officer, Paolo Ceretti, powers of ordinary and extraordinary administration, with the power to subscribe: (i) by means of a single signature, any deed, document or contract involving a commitment of expenditure, including prospective expenditure, or relating to an investment not exceeding €20,000,000; (ii) by means of a joint signature, any deed, document or contract involving a commitment of expenditure, including prospective expenditure, or relating to an investment exceeding €20,000,000 and up to €50,000,000.

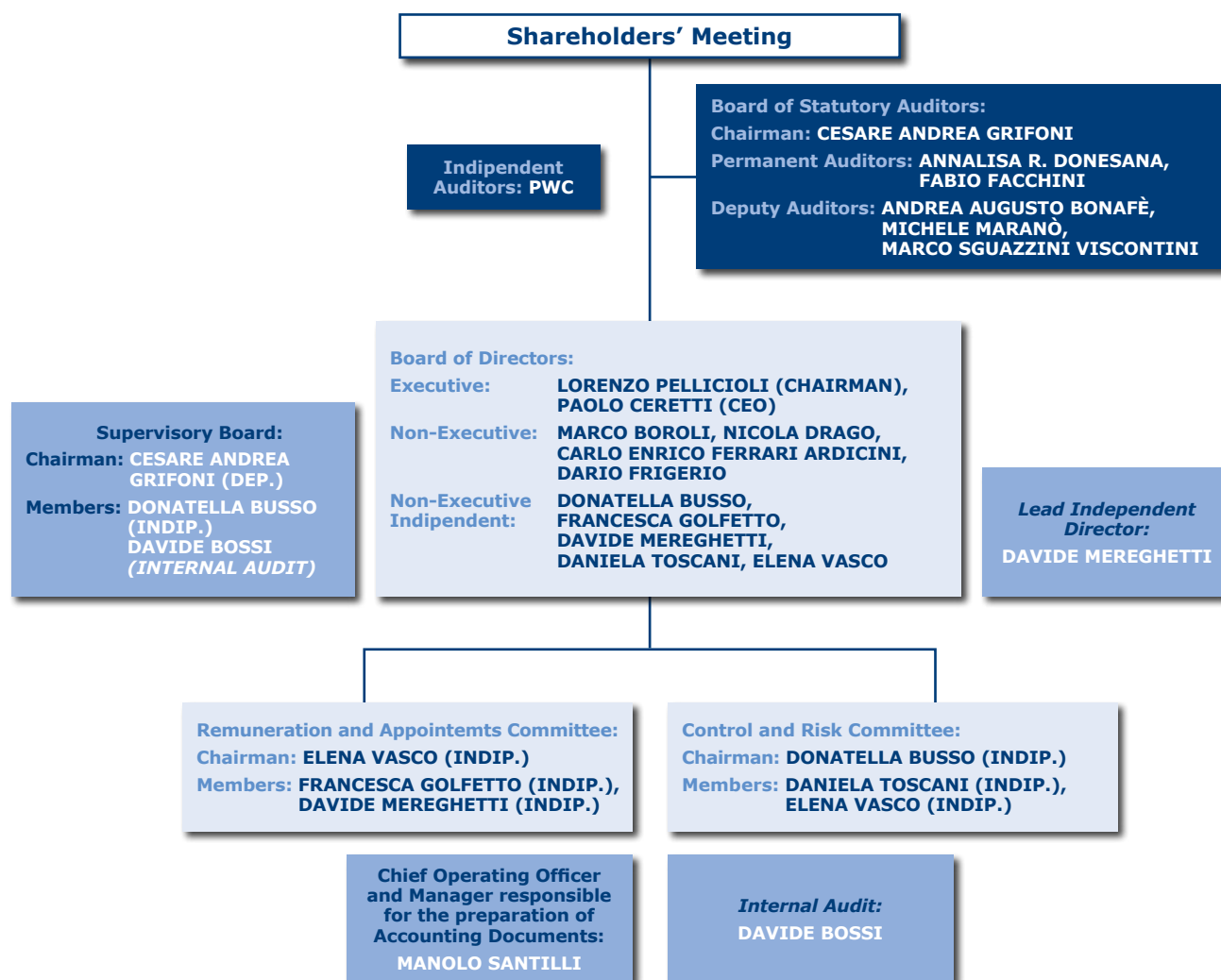
On the other hand, the Board of Directors shall have exclusive jurisdiction over all decisions relating to expenditure commitments and investments exceeding € 50,000,000, as well as transactions of significant strategic, economic, equity or financial importance for the Company pursuant to the recommendations of the Code.

Four Board meetings were held in 2020. The calendar of meetings scheduled for the approval of periodic financial reports for the 2021 financial year has been published (also available at www.deacapital.com).

- The **Board of Statutory Auditors** comprises six members (the chairman, two permanent auditors and three deputy auditors). It monitors compliance with the law and the Company's articles of association, observance of the principles of proper management, and the suitability and proper functioning of the organisational, administrative and accounting structure. Six meetings of the Board of Statutory Auditors were held in 2020.
- The **Remuneration and Appointments Committee** is composed of three independent directors and performs the following tasks:
 - on the subject of remuneration, (i) supports the Board of Directors in drawing up the remuneration policy, (ii) presents proposals or expresses opinions on the remuneration of executive directors and the setting of performance objectives related to the variable component of their remuneration; (iii) monitors the application of the remuneration policy and verifies, in particular, the effective achievement of performance objectives; (iv) periodically assesses the adequacy and overall consistency of the remuneration policy for directors and top management; (v) supports the Board of Directors in the preparation of long-term incentive plans, supervises their application and verifies the achievement of the results envisaged by the various plans; (vi) expresses a reasoned prior opinion on transactions with related parties concerning the assignment or increase of remuneration to a member of an administrative or control body or to a manager with strategic responsibilities, pursuant to the relevant procedure;
 - in the field of appointments and composition of the Board of Directors, (i) supports the Board in the self-assessment process, (ii) defines the criteria and recommendations for the optimal composition of the administrative body and its committees; (iii) identifies the candidates for the office of director in the event of co-option pursuant to law, (iv) carries out the preliminary activity relating to the periodic checks on the requirements of directors.
- The **Control and Risks Committee** comprises three independent directors. The Committee supports the Board of Directors in carrying out, inter alia, the following activities: (i) definition of the guidelines of the internal control and risk management system; (ii) assessment of the adequacy of this system in relation to the characteristics of the company and the risk profile assumed, as well as its effectiveness; (iii) appointment and dismissal of the head of the internal audit function, as well as definition of his/her powers and remuneration; (iv) approval of the work plan of the head of the internal audit function; (v) assignment to the Board of Statutory Auditors or to a body specifically set up for that purpose of the supervisory functions under Article 6(1)(b) of Legislative Decree no. 231/2001; (vi) description, in the report on corporate governance, of the main features of the internal control and risk management system and the methods of coordination between the entities involved in it, its overall assessment of the adequacy of the system itself and the choices made regarding the composition of the supervisory body. The Committee also carries out the tasks provided for under the Code, as defined in its rules of procedure.

During the 2020 financial year, the Audit and Risk Committee met five times.

During the 2020 financial year, the Remuneration Committee met four times.



For further info:
www.deacapital.com
section: Governance

Main risks and uncertainties to which the Parent Company and consolidated Group companies are exposed

The assessment of risk factors for the DeA Capital Group should be viewed primarily in relation to their impact (i) on the economic results of the **Alternative Asset Management** platform (real estate, credit, private equity and multi-asset/multi-manager solutions) and of the investment activities carried out to support the platform's operations (i.e. **platform investments**, consisting of investments in minority stakes in part of the funds managed by the platform and co-investments alongside these funds or lead investment partners in the real estate initiatives promoted by the Group's foreign ventures) and (ii) the Group's ability to ensure balanced and holistic development of all these activities.

With reference to **Alternative Asset Management** activities, these are particularly sensitive to all the risk variables that may impact the "organic" performance of Assets Under Management (which essentially represent the basis for calculating management fees) which, for closed-end funds (real estate, credit, private equity), will depend substantially on (i) the ability to launch new funds and (ii) the ability to increase the number of funds under management (ii) value of the assets in which these are invested plus, in the case of open-ended funds accessed by the multi-asset / multi-management investment solutions offered to investors, the (iii) redemptions by the investors served.

The development of the three main variables affecting the performance of Assets Under Management depends on:

- exogenous contextual factors (general economic conditions, socio-political events, regulatory developments, trends in financial markets, interest rates, and the impact these have on the availability and direction of investment flows); and
- endogenous factors (which can be summarised as the asset manager's credibility in terms of its ability to generate satisfactory performance for investors, the effectiveness of the operational processes structured to regulate the launch and management of investment products/solutions, constant attention in terms of compliance with the industry's stringent regulations and the Group's willingness to share the investment risk in some of the products it offers with investors).

The variety of business streams in which the Platform operates is a mitigating factor for all contextual risks that impact the ability to launch new funds/investment solutions. On the other hand, the recent start of international development for the real estate sector, if on the one hand it has a favourable impact on the reduction of the same risks due to the diversification that it entails, on the other hand it increases this riskiness (because it exposes to the same "country-specific" context factors relative to the new markets) and at the same time it acts on the endogenous risk factors through the increase in the operational complexity of the Group.

With regard to the performance of the **platform investments** portfolio, this will depend on both the aforementioned exogenous contextual factors, as well as endogenous factors (in particular, capacity and timing of selection, management and divestment of investments).

The mitigation of the impact of exogenous and endogenous risks to which the Group's activities are subjected is mainly through:

- the systematic monitoring of reference markets, the competitive framework and the main trends in the industry;
- the gradual diversification of business streams (both product-related, for example by extending the portfolio of products offered to the NPL Management, managed accounts and international real estate club deal segments, or by entering the segment of investment solutions for institutional investors; and geographical, with the launch of real estate ventures in partnership with local key managers, first in France and Iberia and then in Poland and Germany);
- the maintenance of effective investment governance (though not control) levers and risk diversification mechanisms (such as asset concentration constraints in funds under management) across all asset classes;
- continuous monitoring of the trend of the key performance indicators of alternative asset management and platform investments;
- maintaining an industrial and never purely financial approach to investment activities and strict ethical standards throughout the structure;
- the growing focus on sustainable investment issues with reference to environmental, social and governance aspects, through the definition of policies, adherence to international certification standards and the transversal involvement of the various corporate functions, initially defined at the level of subsidiary asset management companies and currently being extended to the Group as a whole;
- the strengthening of the operational structure (in particular with the integration of a Chief Operating Officer into the company's organisation chart) and strategic orientation (with the recent establishment of the Advisory Board to support business development and go-to-market activities for the Alternative Asset Management Platform);

- the periodic assessment and monitoring of the risk framework in which the Group operates through a structured risk assessment process and the related updating of operating procedures and governance mechanisms (e.g. the establishment of the Security Operating Centre - 'SOC' - to better monitor cybersecurity issues).

The spread of COVID-19 during 2020 has led to a generalised amplification of the complex of risk factors highlighted above, while at the same time imposing the rapid adoption of measures to ensure the continuity of operations of the companies belonging to the Group.

Operational integrity was guaranteed, without interruption, firstly through the timely and generalised adoption of a smart-working policy (implemented, inter alia, by substantially equipping all staff with the appropriate technical means), and subsequently, once the regulatory constraints on the mobility of persons had been relaxed, through the implementation of a regulatory protocol for combating and containing the spread of the virus in the workplace (supported by the adoption of all the technical and organisational devices necessary to ensure that all professionals in the workforce could return to their operational headquarters on a rotating basis). In this way, the Group has been able to oversee the governance of its activities in a period of extraordinary uncertainty with substantially unchanged response capabilities compared to business-as-usual, all without significant costs / investments in terms of general and administrative expenses / capex.

At an operational level, asset management has seen the integration of the dimension relating to sensitivity to the "COVID-19 effect" in the monitoring of portfolios, both with an aggregate cut (typically by reference industry), and with an individual cut, depending on the specificities of individual assets (liquidity, sustainability of the financial structure, sensitivity to operating leverage, etc.). In particular, at the level of the funds under management, actions were promptly taken mainly to i) understand the opportunities and constraints defined by the Acts issued by the Government to cope with the COVID-19 epidemiological emergency; ii) analyse and estimate the financial needs to mitigate the risk of cash flow tension, especially in the short term; and iii) define the actions to prepare for the "post-crisis" recovery phase.

Other information

As at 31 December 2020, the Group had 227 employees (212 at the end of 2019), of whom 47 were executives, 73 were middle managers and 107 were clerical staff, broken down by business segment: 204 in Alternative Asset Management and 23 in Alternative Investment / Holdings.

With regard to the regulatory requirements set out in Article 36 of the Market Regulation on conditions for the listing of parent companies, companies formed or regulated by laws of non-EU countries and of major importance in the consolidated financial statements, it is hereby noted that no Group company falls within the scope of the above-mentioned provision.

Furthermore, conditions prohibiting listing pursuant to Article 37 of the Market Regulation, relating to companies subject to the management and coordination of other parties, do not apply.

The Management

Lorenzo Pelliccioli, Executive Chairman

Lorenzo Pelliccioli is Chairman of the Board of Directors of DeA Capital since January 2007.

He started his career as a journalist for the newspaper *Giornale Di Bergamo* and afterwards became Vice-President of Bergamo TV Programmes. From 1978 to 1981 he held different posts in Italian private television sector: for *Manzoni Pubblicità*, and for *Publikompass* up to his nomination as Rete 4 General Manager. In 1984 he joined Gruppo Mondadori, the leading Italian publishing group. He was initially appointed General Manager for Advertising Sales, and Mondadori Periodici (magazines) Deputy General Manager, and afterwards President and CEO of *Manzoni & C. S.p.A.*, the Group's advertising representative.

From 1990 to 1997, he served first as President and CEO of Costa Cruise Lines in Miami, which is part of the Costa Crociere Group operating in the North American market (USA, Canada and Mexico) and then became General Manager of Costa Crociere S.p.A., based in Genoa, with worldwide responsibilities. From 1995 to 1997 he was also President and CEO of *Compagnie Française de Croisières (Costa-Paquet)*, the Paris-based subsidiary of Costa Crociere.

From 1997 onwards he participated in the privatisation of *Seat Pagine Gialle*, which was purchased by a group of financial investors. After the acquisition he was appointed CEO of SEAT. In February 2000 he also took charge of the Internet Business unit of Telecom Italia, subsequent to the sale of Seat. In September 2001, following the acquisition of Telecom Italia by the Pirelli Group, he resigned.

As from November 2005 he became CEO of the De Agostini Group. From August 2006 until April 2015 he was Chairman of Gtech S.p.A. then, following the merger with IGT, he was appointed Deputy Chairman of IGT and since November 2018 Chairman of IGT.

He is a member of the Board of Directors of *Assicurazioni Generali S.p.A.*.

He is also member of the Advisory board of Palamon Capital Partners.

He was formerly also a member of the boards of Enel, INA-Assitalia and Toro Assicurazioni, and of the Advisory Board of Lehman Brothers Merchant Banking.

On April 3, 2017 he was honoured with the title of *Chevalier dans l'ordre de la Légion d'Honneur* (Knight of the French Legion of Honor).

Paolo Ceretti, Chief Executive Officer

Paolo Ceretti was appointed Chief Executive Officer of DeA Capital on 11th January 2007.

He gained his professional experience inside the Agnelli Group, holding from 1979 positions of increasing importance at Fiat SpA (Internal Auditing and Finance) and in the Financial Services Sector (Planning, Credit and Control) and subsequently assuming the position of Head of Strategic Planning and Development of Ifil (now EXOR). After assuming responsibility for the internet B2C sector of Fiat/Ifil in 1999 as CEO of CiaoHolding and CiaoWeb, he was appointed CEO of GlobalValue SpA, a Fiat/IBM joint venture in the Information Technology sector.

Since 2004, he has been General Manager of De Agostini S.p.A., the holding of the De Agostini Group.

He is also Chairman of DeA Capital Alternative Funds and a member of the Board of Directors of Quaestio Holding and other companies of the Group.

Manolo Santilli, Chief Operating Officer

Manolo Santilli is Chief Operating Officer of DeA Capital S.p.A. since July 2020, after holding the position of Chief Financial Officer for over ten years; he is also Board Member of the three Group Asset Management Companies - DeA Capital Real Estate SGR, DeA Capital Alternative Funds SGR and Quaestio Capital SGR - as well as in the four companies belonging the International Real Estate Platform (respectively in France, Spain/Portugal, Poland and Germany).

He gained his professional experience starting in 1996 in STET International (Telecom Italia Group, in the Planning, Controlling and Initiative Evaluation area), subsequently in 2000 at IFIL/FIAT, in 2002 he became Investment Manager in Finmeccanica and since 2004 he entered the De Agostini Group.

Born in Pescara on 23 December 1969, he graduated in Economics at the Università Commerciale L. Bocconi of Milan in 1994; he is Auditor and member of the Professional Accountants register in Pescara.

**Emanuele Caniggia,
Chief Executive Officer
DeA Capital Real Estate SGR**

Emanuele Caniggia, CEO of DeA Capital Real Estate SGR, is 54 years old, married, has two children and lives in Rome.

During his business career, he has established numerous companies in which he has held various positions, beginning with Ar.Co.Graph in 1988. In 1996, he founded Abaco Servizi, a property services company, which contributed, through acquisitions in Italy and abroad, to the creation of Abaco Team, a leader in real-estate services.

- In 2006, he sold a 65% stake in Abaco Team to Gabetti Property Solutions, while continuing as the CEO until 2009, when he sold the remaining 35% of the company and became a shareholder in Gabetti, which he left in August 2012. From 2009 to 2012, he was a member of the Boards of Directors of Gabetti Property Solutions, Gabetti Agency, Patrigest and TreeRe.
- In October 2012, he set up Innovation Real Estate - formerly First Atlantic RE, which he took over, together with DeA Capital - and was the CEO until 2014. Since 28 April 2014, Emanuele Caniggia has been the CEO of the asset management company DeA Capital Real Estate SGR, which has assets under management of approximately EUR 10 billion, and whose main shareholder is the De Agostini group.

Emanuele Caniggia is a member of the Scientific Committee of EIRE, Quotidiano Immobiliare, sits on the Governing Council of Assoimmobiliare, and heads the association's Real-Estate Services Committee.

**Gianandrea Perco,
Chief Executive Officer
DeA Capital Alternative Funds SGR**

Gianandrea Perco, already member of the Board of Directors at DeA Capital Alternative Funds SGR since April 2017, was appointed Chief Executive Officer and General Manager on 28th June 2017.

His professional experience began in 1997 in Mediobanca, in the equity capital market team, and in 2000, he moved to Lehman Brothers Investment Banking team. In 2001, he started his experience in UniCredit where he developed his career for 10 years in the Corporate and Investment Banking division, heading the Italian Corporate Finance Advisory team and the Multinational Financing team. In 2011 he joined FondiariaSai as Deputy General Manager with the responsibility of the Real Estate business, of the diversified businesses and of the M&A team. From 2013 to July 2015 he was Partner at PwC Italy heading the M&A team.

From August 2015 to June 2017 he was Director of Strategy and Management of existing shareholdings at DeA Capital S.p.A. supporting the top management in strategic investments, divestments and management of the portfolio.

He graduated with full marks with honors in Business Administration at Università Commerciale Luigi Bocconi in Milan.



For further info:
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Significant events after the end of the period and outlook

Disposal of the remaining stake in Kenan Investments/Migros

In the first days of February 2021, Kenan Investments (17.1% of the capital) finalised the sale, through accelerated bookbuilding, of the remaining stake held in Migros (approximately 12% of the capital of the latter). Following the transaction, DeA Capital S.p.A. received distributions for EUR 17 million, which brought the total proceeds received from Kenan Investments to approximately EUR 246 million, against the investment made in 2008 for EUR 175 million (with a cumulative capital gain therefore of approximately EUR 71 million). DeA Capital S.p.A. is expected to receive further distributions reaching up to EUR 3 million as part of the scheduled liquidation of Kenan Investments.

Establishment of the Advisory Board

In February 2021, DeA Capital S.p.A. finalised the establishment of the Advisory Board for the purpose of providing strategic advice for the Alternative Asset Management platform on various issues, with particular reference to business development and go-to-market strategies. The Advisory Board is currently made up of Flavio Valeri (Chairman), Dario Frigerio (former member of the Board of Directors of DeA Capital S.p.A.) and Gianluca Muzzi.

Acquisition of the management of a "logistics" real estate fund

On 1 March 2021, the management of a closed-end real estate fund focused on the acquisition of real estate for logistics use was acquired, with assets under management of **over EUR 700 million**.

Outlook

The outlook will undoubtedly be affected by the timing required to overcome the Covid-19 health emergency.

In this context, the DeA Capital Group, which has already demonstrated extraordinary resilience, both in operational terms and with regard to economic-financial results, will continue to focus on developing the Alternative Asset Management Platform, through new product launches, the further growth of international activities, and the coordination with Quaestio Capital SGR, especially insofar as the go-to-market strategy. Moreover, we will direct our utmost efforts to protecting and supporting all the assets comprising the funds under management, to overcome the acute phase of the crisis and be poised to reap the opportunities that will undoubtedly become available once the crisis is over.