

**CODE OF CONDUCT  
OF  
SOGEFI S.P.A.**

February 24, 2020



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### **FOREWORD**

*The Code of Conduct of SOGEFI S.p.A. (hereinafter "SOGEFI" or the "Company") contains a description of the main duties and functions of the corporate bodies and of the internal control and risk management system of the Company.*

*The description of these duties and functions is carried out in a structured way in a single document in which it is possible to find not only content but also specific reference to the applicable regulatory environment: the provisions of the law and of regulations, the terms of the Company Articles of Association, and the principles of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. with which the Company complies.*

*On this subject at the Board of Directors Meeting held on October 23, 2012, following the new rules of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. introduced in December 2011, the Company updated its own corporate governance and approved internal procedures as indicated in the Code.*

*In order to incorporate the changes introduced from time to time in the CODE OF CONDUCT OF BORSA ITALIANA S.P.A., the Board of Directors has subsequently updated the Code of Conduct of the Company.*

## **Art. 1 - Role of the Board of Directors**

Below are the provisions of the **Articles of Association** on the subject of the **role of the Board of Directors**

### ARTICLE 18

1. The Board of Directors appoints a Chairman from among its members; it may also appoint a Deputy Chairman who replaces the Chairman in the event of absence or impediment.
2. The Board may appoint a Secretary who need not be a Director.

### ARTICLE 19

1. The Board meets at the registered offices or elsewhere when called by the Chairman or his deputy; meetings are usually held every three months and, in any event, whenever necessary in the interests of the Company or when requested by two Directors.
2. Board meetings may also be called by the Board of Statutory Auditors or by at least one of its members, after informing the Chairman of the Board of Directors.
3. Meetings are called by registered letter, telegram, fax or e-mail received at least five days prior to the date fixed for the meeting or, in urgent cases, at least one day beforehand.
4. Board meetings and their resolutions remain valid when held by telephone or videoconference call, even without formal convocation, provided they are attended by a majority of the current Directors and Acting Statutory Auditors, all those having rights to participate having been informed in advance of the meeting and sufficiently informed on the matters for discussion.

### ARTICLE 20

1. Resolutions adopted by the Board of Directors are valid if a majority of the current members are present.
2. Resolutions are adopted by a majority vote of those present in the respect of the Procedure for related party transactions. In the case of a tie, the vote of the Chairman or the chairman of the meeting shall prevail.
3. Meetings of the Board of Directors may be held by telephone conference call on condition that all the participants can be identified and that they are able to follow the proceedings, take part in real time in discussions about the matters on the agenda, and receive, transmit or examine documentation.
4. In such circumstances, the meeting is deemed to be held at the location where both the Chairman and the Secretary are present. The Secretary prepares the minutes which are then signed by both of them.

#### ARTICLE 21

1. The Directors report to the Board of Directors and the Board of Statutory Auditors on a timely basis about their activities and the principal transactions carried out by the Company, as required by law.
2. Such reports are made verbally at least every quarter during Board or Executive Committee meetings, or by written and/or verbal and/or telephone communications to the Chairman of the Board of Statutory Auditors, if particular requirements for timeliness make this preferable.
3. The Directors must inform the other Directors and the Board of Statutory Auditors of all interests they may have in a given transaction, whether personally or on behalf of third parties, as required by current legislation.

#### ARTICLE 23

1. The Board of Directors exercises the widest powers of ordinary and extraordinary administration, without any exceptions, and has the power to perform all the acts deemed appropriate in carrying out all the activities comprising or instrumental to the achievement of the corporate objects, except for those powers which the law or these By-laws reserve specifically for the Shareholders in General Meeting.
2. Accordingly, the Board of Directors may resolve to reduce share capital in the case of withdrawal by Shareholders, to amend the By-laws in order to comply with compulsory legislation, to transfer the registered offices within Italy, and to absorb subsidiaries that are wholly owned or whose capital is at least 90% (ninety per cent) owned, in compliance with arts. 2505 and 2505bis of the Italian Civil Code.

#### ARTICLE 24

1. The Board of Directors may appoint one or more Managing Directors from among its number and, within the requirements of law, determine their duties and emoluments.
2. The Board may also appoint an Executive Committee comprising a number of its members and, within the requirements of law, determine its functions. Unless otherwise established at the time of appointment, the activities of the Executive Committee are governed by the regulations applying to the Board of Directors.
3. The Board of Directors may appoint general managers, providing they satisfy the legal criteria of respectability, who may also be members of the Board. Failure to meet the criteria of respectability will mean disqualification from the post.
4. The Board may also appoint special representatives to carry out specific duties or categories of duty.
5. The Board may create from within its membership advisory and working

- committees on specific issues, and determine their scope and powers.
6. The Board of Directors, on the proposal of the Managing Director and in concert with the Chairman, subject to the opinion of the Board of Statutory Auditors, appoints the manager charged with preparing the company accounts, who must have adequate accounting and financial experience.
  7. The Board of Directors must also ensure that the manager charged with preparing the company accounts has the powers and means necessary to carry out these duties and equally ensure effective observance of the proper administrative and accounting procedures.

In application of the provisions of art. 1 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A., the Board of Directors:

- on the basis of the internal procedures duly approved by the Board of Directors will examine and approve the strategic, industrial and financial plans of the Company and of the Group by checking their implementation on a regular basis. The procedures stipulate that the budgets prepared by each company of the Group and the business plans prepared by the Company and by the divisional general managers should be the subject of discussion with the Chief Executive Officer of SOGEFI before to submit it to the Board of Directors of the Company scheduled within the end of January;
- defines the nature and the risk level compatible with the strategic objectives of the Company, including in its evaluation all the risks that may prove to be significant in relation to the sustainability of the issuer's activities in the medium-long term, as illustrated in Art. 7 below, taking into account in terms of possible impact of the main risks relating to the businesses of the subsidiaries. The Company carries out a global risk assessment every year when the budget is approved;
- assesses the adequacy of the organisational, administrative and accounting structure of the Company, as well as the one of the strategic subsidiaries, in particular referring to the internal control and risk management system;
- defines the intervals, usually quarterly, at which the Managing Director must report to the Board the activities that have been carried out in the execution of the assigned powers, under the provisions of the Company Bylaws;

- assesses the management performances by taking into account especially the information received by the Managing Director;
- examines and approves beforehand the transactions of the Company and examines the ones of its subsidiaries with a significant strategic importance. To this end, the Board of Directors defines the corresponding parameters of importance, by adopting an ad hoc procedure;
- performs, at least once a year, an assessment on the size, composition and working of the Board itself and its committees, also taking into account the elements such as professional, practical and managerial characteristics, gender and office seniority. If the Board of Directors of the Company relies on the services of external consultants for self-assessment purposes, the Report on Corporate Governance provides information on the identity of such consultants and on any further services they provide to the Company or to companies in a controlling relationship with it;
- can express to the Shareholders, before the appointment of the new Board, its opinions on the professional functions that are deemed to be necessary inside the Board;
- in order to ensure the correct management of corporate information the Board of Directors adopts a procedure for internal management and external communication of documents and information about the Company, especially referring to privileged information, which is available on the Company's website;
- gives information in the Report on Corporate Governance on its composition and on the times and procedures for holding its meetings and on the self-assessment process.

The directors act and decide autonomously and with full knowledge of the facts, they accept their mandate as they deem they can dedicate the due time to the diligent execution of their tasks, even considering the commitment related to their professional and working activities, the number of director or statutory auditor offices they hold in other companies listed in regulated markets (including foreign markets), in financial companies, banks, insurances or companies that have

considerable size. They are also required to inform the Board of Directors of any other activities they may have in competition with the Company, as well as any significant modification in the position they hold in other companies.

Still in application of the terms of Art. 1 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. the Board of Directors has approved the following:

*Guidance regarding the maximum number of positions as director or statutory auditor in other companies listed on regulated markets, including foreign markets, in financial companies, banks, insurance companies or companies of a significant size (“Significant Companies”):*

**a) General criteria for evaluation**

1. Exclude the possibility that an executive director of SOGEFI can take on other positions as executive director or statutory auditor in Significant Companies not belonging to the CIR group or to the group of its parent companies;
2. For the executive directors of SOGEFI, possibility of holding other positions with a maximum limit of three as non-executive director in Significant Companies not belonging to the CIR group or to the group of its parent companies;
3. For the non-executive directors of SOGEFI, possibility of holding other positions with a maximum limit of five as non-executive director and/or statutory auditor and two as executive director in Significant Companies not belonging to the CIR group or to the group of its parent companies;
4. Positions held in Significant Companies belonging to the same group will count as a single position (and that single position will be considered as that of an executive director for the purposes of the calculation of the limits, if at least one of the positions held in the same group is as executive director);
5. “Companies of a significant size” means companies that exceed at least one of the following limits: revenues of over Euro 500 million, total assets of over Euro 1,000 million, over 2,000 employees.
6. “Financial companies” means only those companies that exercise the business of supplying financial services to the public, and which are subject to supervision.

**b) Possible waiver of the general criteria**

The general criteria described above can always be waived in relation to one or more directors with a resolution taken by the Board of Directors giving the reasons for the waiver. In deciding on the waiver the Board of Directors may also

take into account the director's attendance record at SOGEFI board meetings and committee meetings.

It should also be noted that the Board of Directors assesses the independence of its Directors at least once a year, taking into account the information that the individuals involved are required to produce. While the terms of Art. 147-ter, paragraph 4, of the Finance Consolidation Act (T.U.F.) remain applicable, the Company intends to introduce the obligation for any Director who has lost the qualification of independence as per the terms of the Code of Conduct (Criteria 3.C.1) to resign his or her position, without prejudice for the right of the Board of Directors to evaluate each specific case possibly allowing waivers to the rules.

Information will be given of any waivers of the above approved by the Board of Directors in the Annual Report on Corporate Governance.

Below is what the **Articles of Association** stipulate on the subject of the **Chairman of the Board of Directors**

#### ARTICLE 25

The legal representative of the Company in dealings with third parties and in judgement at all levels is the Chairman of the Board of Directors and, separately, the Deputy Chairman, the Managing Directors and the General Managers, to the extent of the powers conferred on them.

In application of what is stated in Art. 1 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. the Chairman of the Board of Directors:

- calls Board meetings and makes sure all of its members – and the Statutory Auditors - are provided with the necessary documentation and information at least three days before the meeting (except in an emergency) to gain a background knowledge of the issues on the agenda so that the Directors can express an opinion and approval; if the documentation is voluminous or complex, it can be supplemented with a summary document. Where, in specific cases, it is not possible to provide necessary information well in advance, the Chairman ensures that appropriate and precise investigations are carried out during Board sessions;
- co-ordinates the activities of the Board and runs the meetings, ensuring that



- the items on the agenda receive sufficient time necessary for a debate and encouraging the directors to make their contribution;
- ensures that the Directors and Statutory Auditors, following their appointment and during their mandate, can take part in initiatives in the most appropriate formats, aimed at giving them an adequate knowledge of the business sector in which the Company operates, of the Company dynamics and the evolution thereof, of the principles of correct risk management, as well as of the relevant regulatory environment and the internal rules on the subject;
  - the Chairman may ask to the Managing Director, even at the request of one or more Directors, that the managers of the Company and the ones of the companies of the Group participate in Board meetings in order to provide the due insight.

#### **Art. 2 – Composition of the Board of Directors**

The Board of Directors is made up of executive and non-executive Directors who have adequate competence and professionalism.

The non-executive Directors bring their specific competences to the Board discussions, contributing to the adoption of judicious decisions and paying particular attention to the areas in which conflicts of interest can emerge.

The composition of the Board of Directors of the Company – even in relation to number, competence, authoritativeness and availability of time that the non-executive Directors – must be suitable to ensure conditions of managerial autonomy and hence maximization of economic and financial objectives of the Company.

The composition of the Board of Directors also respects the balance between the genders prescribed by current legislation and by Art. 17 of the Company Articles of Association reproduced further on.

The Company complies with the so called ban on interlocking directorates, which was introduced by Art. 2 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A., i.e. the principle that the chief executive officer of an issuer cannot take a position as

director of another issuer not belonging to the same group, in which a director of the issuer is chief executive officer.

The Directors are expected to know their duties and the responsibilities inherent in the position.

The Chairman makes sure that the Directors and Statutory Auditors, following their appointment and during their mandate, can take part in initiatives in the most appropriate formats, aimed at giving them an adequate knowledge of the business sector in which the Company operates, of the Company dynamics and the evolution thereof, of the principles of correct risk management, as well as of the relevant regulatory environment and the internal rules on the subject. As far as information on the business sectors is concerned, the Managing Director gives a briefing on the performance of the business at the meetings of the Board of Directors that examines the periodically financial reports.

In relation to the regulatory environment, special information sessions may be organized for the Directors with the support of professional training experts when the Board of Directors is renewed and, subsequently, any time that changes in the regulatory framework make an update on the subject appropriate.

The Board of Directors designates a lead independent director. The lead independent Director is a point of reference who coordinates the requests and the contributions of the non-executive Directors, particularly the independent Directors. He or she collaborates with the Chairman to guarantee that the Directors receive full information flows on a timely basis. Among other things the Lead Independent Director, either independently or at the request of other Directors, also has the right to call a meeting of just the independent Directors to discuss topics considered of interest to the running of the Board of Directors or the management of the Company.

With reference to the possibility that issuers adopt mechanisms to ensure the maturity split of all or part of the members of the administrative body (the so-called

staggered board), the Company has decided not to adopt this provision, as unsuitable to the particular ownership structure of SOGEFI.

### **Art. 3 - Independent Directors**

In compliance with the terms of the Market Regulation adopted by Consob, Independent Directors represent the majority of the members of the Board of Directors.

In accordance with what is recommended by the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. "Independent Directors" are considered as those directors:

- a) do not control directly nor indirectly, even through its subsidiaries, fiduciaries or on behalf of third parties, the Company either do not exercise on it considerable influence or do not participate to a parasocial agreement through someone that could exercise the control or the significant influence of the Company;
- b) are not nor have not been in the three previous years, prominent exponent of the Company, of one subsidiary having strategic relevance or of a Company subjected to a common control with the Company or of a company or corporation that even with others through a parasocial agreement controls the Company or can exercise on it a significant influence;
- c) have not or have not had in the last year directly nor indirectly (for example through subsidiaries or through companies where he is prominent exponent, or as a partner of a professional office or of a consultant company) a relevant commercial, financial or professional relationship;
  - with the Company or a subsidiary or with anyone related to the prominent exponents;
  - with someone who even together with others through a parasocial agreement, controls the Company or – being company or corporation – with the related prominent exponent;or have not or have not been in the previous three years, employees of one of the above mentioned subjects;

- d) do not receive or have not received in the previous three years, from the Company or from a subsidiary or parent company any relevant remuneration in addition to a fixed fee as non-executive Director of the Company and to the compensation for the participation to the committees as recommended by the CODE OF CONDUCT OF BORSA ITALIANA S.P.A., included the participation in performance-related incentive plans, even to a share basis;
- e) have not been Directors of the Company for more than 9 years in the last 12 years;
- f) they are not executive Directors in another company in which one executive Director of the Company is Director;
- g) they are not Shareholders or Directors of a company or of a corporation belonging to the net of the company responsible of the accounts legal auditing of the Company;
- h) they are not close family members of a person who is in the situations described in the previous points.

Where some of the above mentioned circumstances foreseen by the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. might preclude the independence of non-executive Directors, the Board of Directors in each case must assess whether or not the individual satisfies the minimum requisites for independent director.

On the basis of paragraph 4, Art. 147-*ter* of the T.U.F., at least one member of the Board of Directors, or two if the Board of Directors has more than seven members, must have the requisites of independence established for statutory auditors and therefore in accordance with the terms of paragraph 3, Art. 148 of the T.U.F., the following individuals cannot be considered as independent:

- a) the consort, the relatives within the fourth rank of the Directors of the Company, the Directors, the consort and the relatives within the fourth rank of the Directors of the subsidiaries, of the parent companies and of the companies under common control;
- b) the one who are related to the Company or to the subsidiaries or to the parent companies or to the under common control companies or to the Company

Directors and to the persons as described in previous point a) subjected to relationship of self-employment work or subordinate work or from other relations of property which could threaten the independence.

Then, the Company meets the criteria for the evaluation of the adequacy of the number of the independent directors set by Borsa Italiana S.p.A. for the companies listed at STAR segment.

The Board of Directors is asked to value the independence of the Directors after appointment and, then, on a yearly basis. The result of such evaluation is communicated to the market in the context of the Report on Corporate Governance.

#### **Art. 4 - Establishment and Working of the Internal Committees of the Board of Directors**

The Board of Directors sets up from among its members one or more committees, the function of which is to make proposals and give advice, defining their duties and approves the respective regulation.

The committees consist at least of three members, being all independent, and the works are coordinated by a President. The meetings of each committee are minuted and the Chairman of each committee reports back on the same at the first Board of Directors Meeting.

The Committee Regulations foresees that the Chairman of the Statutory Auditors Board or another statutory auditor he identified must take part to these committee meetings.

The President can, if he or she feels it is necessary, invite any other individuals not on the committees whose presence could be useful for the proceedings of the meeting.

For organizational reasons the functions of the Appointments Committee and those of the Remuneration Committee are combined in a single committee, called the Appointments and Remuneration Committee, whose members must include profiles with adequate skills in financial or remuneration policy fields.

The Control and Risk Committee, of which at least one member must have adequate experience in accounting and finance or risk management, as well as

advising, making proposals and monitoring the Control and Risk System, also carries out the function of Committee for Related Party Transactions in accordance with the Rules for Related Party Transactions.

The duties assigned to the individual Committees of the Board of Directors are illustrated in the following articles.

#### **Art. 5 – Appointment of Directors**

Below are the terms of the **Articles of Association** on the subject of the **appointment of Directors**

##### **ARTICLE 17**

1. The Company is administered by a Board of Directors comprised of between five and fifteen members, even not necessarily shareholders. They are appointed by the General Meeting of Shareholders for a fixed term which may not exceed three years, and are eligible for re-election.
2. The General Meeting also determines the number of Board members, which remains fixed unless altered by further deliberation of the Meeting.
3. Minority Shareholders have the right to appoint one member of the Board of Directors.
4. The Board members are appointed by the General Meeting from lists presented by the Shareholders. Candidates are listed in numerical order. The lists, signed by the presenting Shareholders, must be filed according to the terms and conditions required by the enforceable law.
5. List may only be presented by Shareholders who, either individually or jointly with others, hold shares that represent at least a fortieth of the share capital, or a different percentage laid down by the law or regulations. Proof of ownership of the required number of shares must be presented according to the terms and conditions required by the enforceable law.
6. Lists which include a number of candidates equal to or higher than three must include candidates belonging to both genders, in at least the proportion specified in current legislation on the subject of gender balancing.
7. Lists which fail to comply with the above rules shall be considered inadmissible.
8. No Shareholder may present or contribute to the presentation of more than one list, even via an intermediary or trustee. Shareholders subject to the same control pursuant to art. 93 of the Consolidated Securities Act or belonging to the same voting syndicate may present or contribute to the presentation of only one list.

9. Each Shareholder can vote for just one list.
10. Each candidate may stand in one list only, on pain of disqualification.
11. Each list filed by the required date must be accompanied by statements from each candidate accepting their nomination and declaring, under their own responsibility, that there are no reason of incompatibility or ineligibility regarding their candidature and that they meet the requirements laid down in the law and current regulations for the position of Board member. Candidates must also provide a curriculum vitae describing their personal and professional qualifications specifying any position as director or statutory auditor they might hold in other companies and whether they satisfy the requirements for the position of independent director under the law and current regulations.
12. Incompleteness or irregularity of any candidature shall mean disqualification of the candidate's name from the voting list.
13. For the nomination to go forward, the lists presented and submitted for voting must obtain at least half the percentage of votes required under this Article for the presentation of the lists themselves. Lists which do not meet this condition shall be considered null and void.
14. Members of the Board of Directors are elected as follows:
  - a) from the list which obtained the highest number of votes during the Meeting, as many directors as required to make up the Board minus one are taken in the numerical order in which they were listed;
  - b) from the list which obtained the second highest number of votes during the Meeting, and which is unconnected in any way, even indirectly, with the shareholders who presented or voted for the first list, the candidate at the top of this second list is nominated as the final board member.
15. When application of the procedure described in a) and b) above does not give the gender balance required by current legislation, the last director elected from the list that obtained the most votes belonging to the most represented gender shall lapse and shall be replaced by the first candidate not elected from the same list belonging to the less represented gender. Otherwise, the Shareholders' Meeting shall make up the number of the administrative body with the majorities required by law, ensuring compliance with the terms of the law.
16. All elected Directors must meet the criteria of respectability and professional conduct laid down in the current regulations. Failure to meet these criteria will mean disqualification from the position.
17. If only one list is presented or admitted, all Directors are appointed from that list.
18. If no list is presented or the number of Directors appointed is smaller than the minimum required by the Shareholders, the General Meeting must be reconvened to elect a full Board of Directors.
19. If as a result of resignations or for other reasons one or more

Directors ceases to serve, they are replaced in accordance with art. 2386 of the Civil Code, in compliance with the applicable requisites.

In application of what is stated in Art. 5 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. and in the Rules of the Appointment and Remuneration Committee approved by the Board of Directors, in relation to the appointment of the Directors, the Committee carries out the following functions:

- it proposes to the Board of Directors director candidates, if an independent director is to be replaced pursuant to art. 2386, first paragraph of the Italian Civil Code;
- it expresses its opinions to the Board of Directors on the maximum number of positions of director or statutory auditor that the Directors of the Company can hold in other companies listed in regulated markets (even abroad), in financial companies, insurances or companies that have considerable size, by considering the directors participation to the Board internal committees;
- it expresses its opinions to the Board of Directors on its dimension and composition, as well as, if necessary, on the professionals whose presence inside the Board is deemed to be convenient.

The Succession Plan for Executive Directors is approved by the Board of Directors on the basis of the investigatory activity carried out by the Appointment and Remuneration Committee. The Plan should give a clear definition of the objectives, instruments and timing of the process, should have the involvement of the Board of Directors and a clear allocation of competences, even with regard to the preliminary stage of the procedure.

#### **Art. 6 - Remuneration of Directors**

The remuneration policies are aimed at guaranteeing competitiveness in the labor market, in line with the objectives of growth and rewarding the loyalty of human resources, as well as using different instruments of Remuneration for different types of professionalism and competences.



The Company aims to keep remuneration aligned with market benchmarks, applying bonus Remuneration criteria in particular situations of merit.

Pursuant to the law, the Ordinary Shareholders meeting determines the remuneration to the Directors for the office.

The Board of Directors determines the remuneration of the non-executive Directors for their participation in one or more committees or for the possible assignment of specific tasks.

The remuneration of Directors appointed to particular positions, in accordance with the Company's Articles of association, is decided by the Board of Directors on the proposal of the Appointment and Remuneration Committee, after obtaining the opinion of the Board of Statutory Auditors, according to the guidelines fixed on the remuneration policy.

The Board of Directors, on the proposal of the Appointment and Remuneration Committee, defines the remuneration policy for Directors and Managers having strategic responsibilities.

In application of principle 6.P.5. of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A., when the position of an executive Director or a General Manager is terminated, the Company, after following internal processes leading to the assignment or recognition of compensation and/or other benefits, give full details on this in a press release to the market.

In the preparation of any share-based compensation plans, the Board of Directors ensures that the criteria stipulated in the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. are observed.

In application of what is stated in Art. 6 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. and in the Rules of the Appointment and Remuneration Committee approved by the Board of Directors, in relation to compensation, the Committee carries out the following functions:

- it submits to the Board of Directors the proposals concerning the remuneration policies for Directors and Managers having strategic responsibilities;
- it expresses its opinions together with the Control and Risk Committee on the

- proposals relating to the remuneration policies of the head for internal auditing and the Manager charged with preparing the company accounts;
- it makes proposals for the remuneration of the Managing Director and of directors with special duties, which may include remuneration plans that provide for the granting of stock options or other share-based incentives;
  - generally makes proposals to the Board of Directors regarding the characteristics of compensation plans based on financial instruments;
  - it periodically assesses the adequacy, coherence and practical application of the remuneration policy for directors and managers having strategic responsibilities.

#### **Art. 7 - Internal Control and Risk Management System**

The Board of Directors approves the general principles of the internal control and risk management system.

In particular, the Board of Directors held on October 23, 2012 adopted, effective from January 1, 2013, its *Guidelines on the internal control and risk management system* as partially integrated and amended on July 22, 2019.

This document illustrates the general principles on which the design, implementation and management of the Internal Control and Risk Management System (the "SCIEGR") is based, as well as the related governance model, the frequency and type of risk analysis and the related information flows between the various players and bodies involved.

In particular, the above-mentioned Guidelines include the following sections:

- A) Key principles of the SCIEGR;
- B) Enterprise Risk Management Process;
- C) Governance of the SCIEGR.

##### *a) Key principles of the Internal Control and Risk Management System*

The SCIEGR is the set of rules, procedures and organisational structures aimed at allowing - through an adequate identification, measurement, management and

monitoring process of the main risks - a healthy, correct and coherent business management in line with the established corporate goals, as well as at promoting conscious decision-making.

The SCIEGR is implemented through the complex set of rules of conduct including the Code of Ethics, the Group Accounting Manual, the Organisational Model pursuant to Legislative Decree 231/2001, the ERM Policy, etc., procedures and organisational provisions produced and disseminated by the Group, as well as through periodic internal and external auditing processes.

The SCIEGR applies to the issuing company, Sogefi S.p.A., and to all the Group's subsidiaries. It is integrated into the company processes and is intended to provide a suitable structure for pursuing the Group's medium/long-term objectives, by promptly tackling internal and external dynamics that could jeopardise their achievement and thus ensuring the sustainability of the business over time.

The SCIEGR and the related governance model described in these Guidelines have been defined in line with the principle of the three levels of control:

- Level 1 - Line management: the operational functions within Group companies, each within the scope of its activities and areas of competence, are responsible for the daily management of business risks, and are therefore the main players involved in the identification, assessment and management of risks (the so-called Risk owners), according to the ERM methodology defined by the Group;
- Level 2 - Chief Risk Officer: s/he is responsible for facilitating the ERM process within the Group and, namely: (i) directing and supervising risk assessment activities, (ii) ensuring the correct application of the defined ERM methodology and, (iii) periodically reporting the results of risk management activities to Top and Senior Management and company top bodies (including the Board of Directors and any committees appointed within the Board);
- Level 3 - Chief Audit Executive: s/he is responsible, as an independent and autonomous function, for verifying the effectiveness of the SCIEGR and providing reasonable assurance that the company processes are carried out in accordance with the defined company policies and procedures.

#### *b) Enterprise Risk Management Process*

As part of risk management, starting in 2012 and with a subsequent review in 2019, the Group has set up a dynamic Enterprise Risk Management (ERM) process which supports the main corporate decision-making processes and aims

to identify, analyse, measure and assess risk situations or events that could compromise the achievement of the Sogefi Group's strategic objectives and priorities. This process, developed in line with national and international models and best practices - including the Code of Conduct for Italian Listed Companies and COSO ERM1 - enables the Board of Directors and Top and Senior Management to assess the most effective approach in an aware and systematic manner, so as to anticipate, manage and monitor exposure to the main risks and thus provide a reasonable expectation of business sustainability in the medium to long term.

Moreover, through a clear definition of the roles and responsibilities owned by the company bodies and functions in the various stages of the risk management process, the goal is to define a risk management culture that could be an integral part, or in any case an essential element, of the company's decision-making processes.

The ERM process, and consequently the SCIEGR, is a dynamic process that must therefore take into account changes in the business, needs and events having a potential impact over time, in order to allow the involved corporate bodies and functions to evaluate the nature and level of the Group's risks in line with the strategic objectives and, therefore, to define the priority risk management strategies to be adopted.

Detailed information about the operating methods used to implement the ERM model, including the approach adopted, the risk assessment and measurement method, the timing and the parties involved, is provided in the ERM Group Policy, approved by the Board of Directors on July 22, 2019, after receiving the favourable opinion of the Responsible Director and the Control and Risk Committee.

### *c) Governance of the SCIEGR*

The main corporate bodies and players responsible for the SCIEGR are:

- a) the Board of Directors;
- b) the Control and Risk Committee;
- c) the Director responsible for the Internal Control and Risk Management System (hereinafter the “Responsible Director”);
- d) the Risk Management Committee;
- e) the Chief Risk Officer;
- f) the Chief Audit Executive;

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<sup>1</sup> COSO ERM system - Integrating with Strategy and Performance, 2017

- g) the Board of Statutory Auditors.

Other corporate bodies and functions, such as the Supervisory Body pursuant to Italian Legislative Decree 231/2001, the Responsible Director in charge of preparing the Company's accounting and corporate records pursuant to Italian Law 262/2005, also play an important role within the SCIEGR in their specific areas of competence, as defined by the relevant regulations.

Each of the above mentioned corporate bodies and positions shall act complying with the corresponding tasks and powers, as well as according to the indications contained in these Guidelines and in the applicable statutory, regulatory and internal provisions. Below are the tasks and responsibilities considered key to direct an effective implementation of the SCIEGR.

#### The Board of Directors

The Board of Directors directs, supervises and evaluates the adequacy of the SCIEGR, starting from the preparation of these guidelines and continuing with the performance of specific activities within the integrated risk management process.

In particular, the Board:

- a) defines, with the support of the Control and Risk Committee, the Chief Risk Officer and the Top and Senior Management, the most relevant risk areas for the achievement of the Group's strategic objectives;
- b) assesses, for each of the risks identified and analysed, whether the strategies implemented by Management to anticipate, manage and mitigate the Group's potential exposure to risk are sufficient to ensure, with a certain degree of reasonableness, that the strategic objectives defined are achieved;
- c) verifies that the risk profile of the Group is compatible with the set strategic objectives and the risk appetite of the Group.

Moreover, the Board of Directors:

- a) at the proposal of the Control and Risk Committee, on a yearly basis, when endorsing the financial statements, approves the risk-based Audit Plan, after consultation of the Board of Statutory Auditors and the Responsible Director;
- b) after consultation of the Board of Statutory Auditors, evaluates the results exposed by the legal auditor in the possible letter of recommendations

and in the report about the main issues emerged during the statutory audit;

- c) assesses on a yearly basis, according to the time frame required by the operating model of the ERM process, the adequacy, efficacy and efficiency of the SCIEGR compared to the business activity and the risk profile, also considering the assessments of the Responsible Director and of the Control and Risk Committee;
- d) describes, in the report on corporate governance, all the main characteristics of the SCIEGR, expressing its judgement on its adequacy, effectiveness and efficiency, also taking into account the assessment of the Responsible Director and the Control and Risk Committee;
- e) appoints the Responsible Director;
- f) creates a Control and Risk Committee and appoints its chairman;
- g) approves the regulations of the Control and Risk Committee, as well as their possible modifications and updates;
- h) appoints and removes from his/her position the Chief Audit Executive, by establishing his/her compensation according to corporate policies, at the proposal of the Appointment and Remuneration Committee, after approval of the Control and Risk Committee and consultation of the Board of Statutory Auditors;
- i) guarantees that the Chief Audit Executive is given suitable resources to carry out his/her tasks and responsibilities.

#### The Control and Risk Committee

The functions of the Control and Risk Committee include providing advice on, proposals on and monitoring of the SCIEGR, hence supporting the Board of Directors in the related decision-making processes, as well as in assessing the adequacy of the system itself.

In particular, the Committee:

- a) expresses opinions on specific aspects relating to the identification, measurement, management and monitoring of the main business risks, relevant to the pursuit of strategic business objectives;
- b) assesses, together with the manager responsible for the preparation of corporate accounting documents and after consultation of the legal

auditor and the Board of Statutory Auditors, the proper use of accounting principles and their homogeneity for drawing the statutory financial and consolidated financial statements and submits the results of its assessment to the Board of Directors as stated in letter g) below;

- c) examines the annual Audit Plan prepared by the Chief Audit Executive and proposes its adoption to the Board of Directors;
- d) examines the reports on the evaluation of the SCIEGR prepared by the Chief Audit Executive and on issues of particular importance, reporting to the Board of Directors;
- e) monitors the autonomy, the adequacy, the efficacy and efficiency of the Internal Audit and proposes possible correcting actions to the Board of Directors;
- f) can ask to the Chief Audit Executive to carry out some verifications on specific operating domains, by communicating this immediately to the Chairman of the Board of Statutory Auditors and of the Board of Directors, as well as to the Responsible Director;
- g) reports to the Board of Directors, at least each semester, at the approval of the yearly and half-year financial reports, on the activity performed, as well as on the adequacy of the SCIEGR;
- h) carries out committee functions for related party transactions pursuant to the Company's procedure for related party transactions.

The Control and Risk Committee consists of at least 3 independent directors. At least one of its members has got an adequate experience in accounting and financial or risk management matters. It acts pursuant to the provisions of the internal regulations approved by the Board of Directors, which describes its appointment modes, its tasks, its operating procedures, powers and budget.

In the Control and Risk Committee's works, take part the Chairman of the Board of Statutory Auditors or another auditor named by the Chairman of the board (even the other auditors can participate).

#### The Responsible Director

The Responsible Director, who normally coincides with the Managing Director, is responsible for implementing and maintaining an effective risk management process by:

- a) implementing these Guidelines defined by the Board of Directors;

- b) designing, creating and managing the SCIEGR, by checking its adequacy and efficacy, and foreseeing the coordination procedures between the concerned bodies and positions in order to maximise the efficiency and reduce duplications;
- c) identifying the main business risks, discussing and approving the results of risk assessment and risk management strategies, including the assignment of the related responsibilities, ensuring regular reporting to the Board;
- d) approving the approach, methodology and tools to support risk management, ensuring that they are updated in the light of changes in the business and/or regulatory environment;
- e) constantly verifying, even based on the reports prepared by the Chief Audit Executive and on the indications of the Control and Risk Committee, the adequacy, efficacy and efficiency of the SCIEGR, by proposing to the Board of Directors the convenient modifications and updates;
- f) asking to the Chief Audit Executive to carry out some verifications on specific operating domains and the respect of internal rules and procedures in the execution of corporate operations, by communicating this immediately to the Chairman of the Board of Directors, to the Chairman of the Control and Risk Committee as well as to the Chairman of the Board of Statutory Auditors;
- g) immediately reporting to the Board of Directors the problems and critical points that emerged during the execution of its activity or that were communicated to it, so that the Board of Directors can take the suitable actions.

In addition, the Responsible Director ensures the leadership of the entire risk management process and the commitment of the Group's Top and Senior Management.

#### The Risk Management Committee

The Risk Management Committee, consisting of the first line of reporting to the Group's Managing Director, the Chief Audit Executive and coordinated by the Chief Risk Officer, supports the Responsible Director in assessing the main corporate risks.

In particular, the Committee:



- a) promotes a structured risk identification and analysis process;
- b) examines information relating to current and emerging risks to which the Group is exposed, requesting in-depth analyses where necessary;
- c) discusses and proposes the risk management strategies deemed most appropriate with respect to the Group's overall exposure and assigns the relevant responsibilities;
- d) monitors the implementation and effectiveness of the defined risk management strategies.

#### The Chief Risk Officer

The Chief Risk Officer is responsible for:

- a) defining, implementing and maintaining adequate risk management processes, tools and methodologies, facilitating the development of an integrated approach and a holistic view of the universe of risks applicable to the Group;
- b) facilitating the process of identification, assessment and management of the main business risks through a structured dialogue with Group management;
- c) ensuring periodic reporting on risk management activities to the Risk Management Committee, the Responsible Director, the Control and Risk Committee and the Board of Directors;
- d) monitoring, on a regular basis, the evolution of the risk profile, as well as the state of implementation of the defined mitigation plans;
- e) promoting the spreading of an effective and deep-rooted risk culture within the organisation.

#### The Chief Audit Executive

The Chief Audit Executive is responsible for verifying that the SCIEGR is working effectively by, among other things:

- a) the preparation of a Risk-based Annual Internal Audit Plan, based on a structured process of analysis and prioritisation of the main risks identified in the ERM process. This plan is submitted to the Control and Risk Committee, so that it proposes its adoption to the Board of

Directors;

- b) verifying, both on an ongoing basis and in relation to specific needs, the suitability and efficient operation of the SCIEGR;
- c) preparing periodic reports containing information on its activities, including the overall assessment of the SCIEGR, the way in which risk management is conducted, and the effectiveness and adequacy of the Group's risk management strategies. These reports are transmitted to the Chairmen of the Board of Directors, the Control and Risk Committee and the Board of Statutory Auditors and to the Responsible Director;
- d) immediately drawing up reports on particularly significant events, by sending a copy to the chairmen of the Board of Directors, of the Control and Risk Committee, of the Board of Statutory Auditors, as well as to the Responsible Director;
- e) verifying, within the frame of the Audit Plan, the reliability of the information systems, including accounting recognition systems.

The Chief Audit Executive hierarchically depends on the Board of Directors via its Chairman and is entitled to directly access all the useful information for carrying out his/her mandate.

#### The Board of Statutory Auditors

The Board of Statutory Auditors monitors the efficacy of the SCIEGR. In the performance of its functions, the Board of Statutory Auditors can ask the Chief Audit Executive to carry out some verifications on specific operating domains or corporate transactions, by communicating this to the Chairman of the Board of Directors. The Board of Statutory Auditors and the Control and Risk Committee are rapidly exchanging the relevant information for executing their tasks.

#### **Art. 8 - Statutory Auditors**

Below are the terms of the **Articles of Association** on the subject of **Statutory Auditors**

#### ARTICLE 26

1. The Board of Statutory Auditors comprises three acting members and three alternate members who remain in office for three years and are eligible for re-election. The minority shareholders are entitled to elect one acting auditor and one alternate auditor.
2. Members of the Board of Statutory Auditors are appointed by the Shareholders' Meeting from lists presented by the Shareholders. Each list comprises two sections: one for candidates for the position of acting auditor and the other for candidates for the position of alternate auditor. Candidates are listed in numerical order. Lists which include a number of candidates equal to or higher than three must include in each section candidates belonging to both genders.
3. The lists, signed by the presenting Shareholders, must be filed according to the terms and conditions required by the enforceable law.
4. Lists may only be presented by Shareholders who, either individually or jointly with others, hold shares that represent at least 2.5% (two point five percent) of the share capital or a different percentage laid down by the law or regulations. Proof of ownership of the required number of shares must be presented according to the terms and conditions required by enforceable law.
5. Lists which do not comply with the above rules shall be considered null and void.
6. No Shareholder, either individually or jointly, may present more than one list, even via an intermediary or trustee; Shareholders subject to the same control pursuant to art. 93 of the Consolidated Securities Act or belonging to the same voting syndicate may present or contribute to the presentation of only one list.
7. Each Shareholder can vote for just one list.
8. Each candidate may stand in one list only, on pain of disqualification.
9. Lists cannot include candidates who already hold office as acting auditors in another five companies or entities listed on a regulated market registered pursuant to arts. 63 and 67 of Legislative Decree no. 58/1998, or candidates who do not meet the requirements of respectability, professional and independence or who exceed the limit to the number of positions held as laid down by law or regulations.
10. Each list filed by the above indicated term must be accompanied by statements from each candidate accepting their nomination and declaring, under their own responsibility, that there are no incompatibilities or reasons for which they cannot be elected and that they meet the requirements laid down by law and the applicable regulations for members of the Board of Statutory Auditors.
11. Candidates must also provide a curriculum vitae describing their personal and professional qualifications specifying any administrative or management positions they might hold in other companies.
12. Incompleteness or irregularity of any candidature shall mean

- disqualification of the candidate's name from the voting list.
13. Members of the Board of Statutory Auditors are elected as follows:
    1. from the list which obtained the highest number of votes during the Meeting, two acting members and two alternate members are taken, in the numerical order in which they were listed in the sections concerned;
    2. from the minority shareholders' list represented by the list which obtained the second highest number of votes during the Meeting, and which is unconnected in any way, even indirectly, with the shareholders who presented or voted for the first list, the remaining acting member and remaining alternate member are taken in the numerical order in which they were listed in the sections concerned;
    3. if only one list is presented, all of the acting and alternate auditors are taken from that list.
  14. When application of the procedure described in 1), 2) and 3) above does not give the gender balance required by current legislation, the last person elected from the section of the list that obtained the most votes belonging to the most represented gender shall lapse and shall be replaced by the first candidate not elected from the same list and the same section belonging to the least represented gender. Otherwise, the Shareholders' meeting shall make up the number of the Board of Statutory Auditors with the majorities required by law, ensuring that the requirement is complied with.
  15. The candidate on the minority shareholders' list which obtained the highest number of votes is appointed as Chairman of the Board of Statutory Auditors. If only one list is presented, the first candidate for Auditor on the list is appointed as Chairman of the Board of Statutory Auditors.
  16. The appointment of auditors lapses if they no longer meet the requirements laid down in current regulations and the By-laws.
  17. If an acting auditor is replaced, the alternate auditor is taken from the list of the person replaced thus ensuring the compliance with legal requirements including those relating to gender balance.
  18. The meetings of the Board of Statutory Auditors may be held by any means of telecommunication on the following conditions:
    - a) the participants are able to examine, receive and transmit all the necessary documentation;
    - b) the participants are able to take part in the discussions in real time, in accordance with normal board practice.
  19. Meetings are held at the place where they are convened, where the Chairman must be present.
  20. The Board of Statutory Auditors may, on prior communication to the Chairman, call a General Meeting, a meeting of the Board of Directors or of the Executive Committee. Powers to call a meeting of the Board of Directors or Executive Committee may be exercised individually by each member of the Board of Statutory Auditors; a General Meeting may be called by at least two members of the Board of Statutory Auditors.

As well as having the requisites required by law, the Statutory Auditors are selected from persons who can be qualified as independent even according to the criteria set out in the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. for Directors.

The Board of Statutory Auditors checks that the said criteria have been complied with after their appointment and then once a year.

The Statutory Auditors accept the position when they feel that they can devote the necessary amount of time to carrying out their duties in a diligent way.

The compensation of the Statutory Auditors is commensurate with the commitment required of them, with the importance of the role they hold and with the characteristics of the Company in terms of size and business sector.

The supervisory activity of the Board of Statutory Auditors on the effectiveness of the Control and Risk System is described in Art. 7 above.

#### **Art. 9 - Relations with the Shareholders**

The Company undertakes concrete steps to create and maintain a positive dialogue with its Shareholders and the market through various types of communication: slide presentations of Company and Group results at Shareholders meetings, meetings with financial analysts and institutional investors in Italy and abroad, publication of corporate documentation required by the regulations, presentations and press releases on the Company website.

The Company also adheres to the principles of the Guide for Disclosing Information to the Market.

The Company appoints an officer responsible for the Investor Relations function to manage the flow of information to Shareholders, financial analysts and institutional investors, in compliance with the rules established for the disclosure of the Company's information and documents.

Below are the terms of the **Articles of Association** on the subject of the terms and procedures for calling **Shareholders' Meeting**

#### ARTICLE 10

1. General meetings represent all the Shareholders and their resolutions, adopted in accordance with the law and these By-laws, bind all Shareholders, even if they were absent or dissenting.
2. General meetings are either ordinary or extraordinary, as defined by law.

General meetings either ordinary or extraordinary, in single notice if the Board of Directors recognizes the opportunity, is convened and resolve according to the law in the respect of the Procedure for related party transactions.

3. General Meetings may be convened in places other than the registered offices, on condition that they are held in Italy. An Ordinary Meeting must be called at least once each year within one hundred and twenty days of the end of the financial year or, in the circumstances identified by law, within one hundred and eighty days of the end of the financial year.
4. Ordinary general meetings could adopt the resolutions requested by the Procedure for related party transactions.

#### ARTICLE 12

General meetings are called by the publication of a notice on the company's website and in the daily newspaper "La Repubblica", according to the terms and conditions required by the law in force.

The Board of Directors provides the Shareholders with the proposals on the Agenda for the Shareholders Meeting. This is made available on the Company's website within the time limits laid down by current legislation.

The Rules for Shareholders Meetings, which can be found on the Company website, ensure that Shareholders Meetings take place in an ordered and functional manner.