

POLICY ON THE COMPOSITION OF CORPORATE BODIES

1. PURPOSE AND SCOPE OF APPLICATION

This Policy was adopted by the Board of Directors of Sabaf S.p.A. on 26 March 2018, at the suggestion of the Remuneration and Nomination Committee, subject to the opinion of the Board of Statutory Auditors, in compliance with the provisions of Article 123-bis, paragraph 2, let. d-bis) of Italian Legislative Decree no. 58 of 24 February 1998 of the Consolidated Law on Finance (TUF).

The objective of the Policy is to illustrate Sabaf's guidelines on the characteristics considered to be functional to ensure an optimal composition of the corporate bodies, that is to say:

- the Board of Directors (BoD), i.e. the administration body of the Company;
- the Board of Statutory Auditors, i.e. the Supervisory Body.

2. CHARACTERISTICS FOR THE COMPOSITION OF CORPORATE BODIES

The characteristics described below with regard to the composition of Sabaf's Corporate Bodies are based on:

- principles and commitments undertaken by Sabaf towards its stakeholders as set out in the Charter of Values;
- indications provided by the Corporate Governance Code of Listed Companies the Company has opted for;
- results of the board evaluation carried out annually pursuant to Article 1.C.1, let. g) of the Corporate Governance Code;
- other national and international sources and best practices.

Board of Directors

The Board of Directors is the collective body responsible for the Company's administration, which plays a central role in the Corporate Governance system and has the power and duty to manage the Company, pursuing the primary objective of creating value for shareholders in the long term, in compliance with the values, rules of conduct and commitments stated in the Charter of Values adopted by Sabaf.

Taking into account the nature and complexity of the company's business, as well as the social context in which Sabaf operates, the characteristics and factors described below are considered necessary for the BoD to be able to: carry out its assigned tasks more efficiently, take decisions thanks to the contribution of a number of qualified points of view and examine the issues under discussion from different perspectives, also within the framework of the internal board committees established from time to time.

It is understood that these characteristics are in addition to, but do not replace, the provisions of the Laws in force and of the Articles of Association of Sabaf.

- a) **Independence**. An optimal composition of the Board of Directors is characterised by the presence of non-executive and independent Directors, such as to ensure that their opinion can have a significant impact on the Board's decisions in terms of number, authority, competence and availability of time. Non-executive Directors contribute their specific competences to the board discussions, helping to take informed decisions and paying particular attention to areas where conflict of interest may occur. All independent Directors must meet the independence requirements envisaged by law and by the Corporate Governance Code, as illustrated in the Corporate Governance Manual of Sabaf (paragraph 4.3.3). Non-executive directors must be the majority compared to executive directors and independent directors must be at least 3.
- b) **Training and professional experience**. In addition to the provisions of the Corporate Governance Code, (Principle 2.P.1.), also implemented within the Corporate Governance Manual of Sabaf, the Company believes that for an optimal composition of the Board of Directors there must be a mix of professionalism and experience suitable to understand the current management, risks and opportunities of the company, in order to guide and adequately support the Sabaf Group in a long-term sustainable growth. In particular, Sabaf considers the following skills and experience to be fundamental:
 - a. legal and corporate, also with reference to the legislative and regulatory aspects important for listed companies;
 - b. economic and financial, ability to analyse and interpret financial statement data prepared in accordance with international accounting standards and to evaluate extraordinary transactions;
 - c. business and managerial, in the sector in which the Group operates or in adjacent sectors, in the management of international companies, in merger and acquisition transactions;
 - d. on economic, social and environmental sustainability.
- c) **Gender**. In addition to the law provisions on gender distribution (Italian Law 120/2011), it is considered essential to create and maintain a gender balance within the collective body, continuing to ensure that at least one third of the Board of Directors, both at the time of appointment and during the term of office, is made up of Directors of the least represented gender.
- d) **Age and seniority in office**. With the aim of creating a balance between the need for continuity and renewal of management, it is considered useful to ensure a balanced combination of different seniorities in office - as well as age groups - within the Board of Directors.

- e) **Numbers.** Taking into account the characteristics described above (including diversity requirements and the presence of an adequate number of independent directors) and, at the same time, the need to ensure the effectiveness and efficiency of the Board's activities, a Board of Directors composed of 9 directors is considered to be adequate. Moreover, this plurality guarantees the possibility of setting up within the Board the Committees envisaged by the Corporate Governance Code.

In addition to the above requirements, it is considered essential that all Directors ensure that sufficient time is available for the diligent carrying-out of their duties, taking into account both the number and quality of the positions held in the administration and control bodies of other companies, and the commitment required of them by other work and professional activities carried out and the corporate offices held.

In this regard, the Directors are required to comply with the specific guidelines adopted by the Board of Directors, which has established the following criteria:

- for Executive directors, a maximum number of offices not exceeding 3, excluding the positions held within the Group;
- for Non-executive directors, a maximum number of offices not exceeding 7, excluding the positions in the financial companies set forth in Article 113 of the Consolidated Banking Law.

Board of Statutory Auditors

Pursuant to the law, the Board of Statutory Auditors is entrusted with the task of supervising the observance of the law and of the articles of association, the compliance with the principles of correct management and in particular the suitability of the organisational, administrative and accounting structure of the company and its proper operation.

In the same way as with the Board of Directors, also with regard to the composition of the Board of Statutory Auditors, the intention of this Policy is not to replace the regulatory requirements and provisions of the law in force (in particular: Articles 2397 of the Italian Civil Code and 148 of the Consolidated Law on Finance and related implementing provisions) that identify the requirements that members must meet under penalty of cancellation.

The purpose of the Policy is to define the characteristics deemed essential for the Statutory Auditors to be able to carry out their duties in the most effective way.

- a) **Independence, training and professional experience:** Please refer to the requirements of the mandatory regulations and Corporate Governance Code (according to Article 8.C.1, Statutory Auditors may be qualified as independent auditors on the basis of the same criteria as those laid down for Directors).
- b) **Gender:** As already defined in the Articles of Association (which implements the law provisions on gender distribution), gender balance must be guaranteed within the Board of Statutory Auditors.
- c) **Age and seniority in office:** It is considered useful to ensure a balanced combination of different seniorities in office - as well as age groups - within the Board of Statutory Auditors.
- d) **Numbers:** Pursuant to the Articles of Association, the Board of Statutory Auditors is composed of three Statutory auditors and two deputy auditors.

In order for the Statutory Auditors to be able to carry out their duties in the most effective way, it is considered essential that they ensure that sufficient time is available for the diligent carrying-out of their duties, taking into account both the number and quality of the positions held in the administration and control bodies of other companies, and the commitment required of them by other work and professional activities carried out and the corporate offices held.

3. METHOD OF IMPLEMENTATION OF THE POLICY

The aim of this Policy is to guide the names put forward by the Shareholders during the renewal of the Corporate Bodies, ensuring that the benefits that may derive from a balanced composition of the Board of Directors in line with the various criteria of diversity indicated above are taken into account on this occasion.

Moreover, the Remuneration and Nomination Committee takes into account the indications provided in this Policy if it is called upon to propose names for the office of Directors to the Board of Directors, taking into consideration any reports received from Shareholders, for example in the following cases:

- in the event of co-optation, if Directors are to be replaced;
- if, in the event of early termination of the office of Chief Executive Officer with respect to the ordinary termination of office, the Committee is called upon to propose suitable profiles for the office to the Board of Directors, taking into account any indications received from the Shareholders from whose list the Chief Executive Officer who resigned early from office was taken.

4. POLICY MONITORING AND UPDATING

The Board of Directors of Sabaf, with the support of the Remuneration and Nomination Committee and the Board of Statutory Auditors, is responsible for monitoring and updating this Policy.

In particular, the Board of Directors may consider whether to revise this Policy every three years, i.e. on the occasion of the renewal of the Corporate Bodies of Sabaf.

A description of the results related to the implementation of this Policy is contained in the annual report on corporate governance and ownership structure, prepared annually pursuant to Article 123-bis of the Consolidated Law on Finance.