



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. (hereinafter also referred to as "Sabaf" or the "Company") on 11 February 2021, at the suggestion of the Remuneration and Nomination Committee and in compliance with the provisions of Recommendation no. 23 of the Corporate Governance Code; as provided for by art. 123-bis, paragraph 2, letter d-bis) of Italian Legislative Decree no. 58 of 24 February 1998, ("T.U.F."), it will be included in the Report on Corporate Governance and Ownership Structure.

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 (the "Code") the Company has opted for;
- results of the board evaluation carried out in accordance with Principle XIV and Recommendation no. 21 of the 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 Code.

Non-executive directors must be the majority compared to executive directors and independent directors must be at least 3.

To this end, the following situations shall be considered as conditions capable of affecting the independence requirement, subject to the occurrence of specific circumstances to be assessed in concrete terms by the Board of Directors. Those in which a Director:

- a. holds, directly, indirectly (including through subsidiaries, trust companies or by proxy) or on behalf of third parties, shareholdings in Sabaf, such as to enable him/her to exercise control or significant influence over the Company, or participates in shareholders' agreements for the control or exercise of significant influence over Sabaf;
- b. is, or has been in the previous three financial years, an employee or a significant representative of Sabaf, of a subsidiary company with strategic importance or a company under common control with Sabaf, or of a company or body that, also with others through a shareholders' agreement, controls Sabaf or is able to exercise a significant influence over it. To this end, Sabaf's Chairman, Vice Chairmen, Executive directors and executives with strategic responsibilities are to be considered "key figures";
- c. has or has had in the previous three financial years, directly, indirectly (for example through subsidiaries or companies of which he/she is an executive director, or as a partner in a professional firm or consulting firm) or on behalf of third parties, a significant commercial, financial or professional relationship with Sabaf, with one of its subsidiaries or with one of its significant representatives, as well as with the shareholder or group of shareholders who control it, such as to influence their independent judgement, or has been an employee of one of the aforementioned parties.
In this respect, the significance of the commercial, financial or professional relations is assessed by the Board on a case-by-case basis, in relation to the specific situations. These relations are always considered as "significant" by the Board if they:

- are not made at market conditions, or

- even if made at market conditions, with reference to a single financial year, exceed the amount of €50,000.00¹ received personally by the director as remuneration for a professional service that he/she has agreed to perform for the Sabaf Group, outside of his/her remuneration for the office of director. It should be noted that this limit would also apply to cases where a company that is controlled by a director/board member receives the remuneration directly;
 - even if made at market conditions, with reference to the individual financial year, exceed the amount of €200,000.00², with reference to professional services rendered by a commercial company, a professional service company such as a law firm, an investment bank or a large consulting firm, in which the company is paid for the goods and/or services, but the individual is not directly compensated. With a special reference to large consulting firms, the amount shall be inherent to the relationship between Sabaf or another company in the Group and the legal entity/corporate group to which the individual's employment contract relates and/or of which the individual is a partner/shareholder;
- d. receives, or has received in the previous three financial years, from Sabaf or from a subsidiary or parent company, an additional remuneration compared to the "fixed" fee of non-executive director and to the remuneration for participating in committees of a value exceeding the amount of €50,000.00, also as participation in incentive schemes related to business performance, share based or otherwise;
 - e. is a shareholder or director of a company or of a body belonging to the network of the audit company of the issuer;
 - f. has been a director of Sabaf for more than nine financial years, even if not consecutive, in the last twelve financial years;
 - g. holds the position of executive director in another company in which an executive director of Sabaf holds the position of Director;
 - h. is a close relative of a person who is in one of the situations referred to in the previous points. For this purpose, "close relative" means a spouse, the common law spouse and family members living together.

With respect to the requirement set forth in letter f) above, the Board of Directors may consider a possible waiver upon a duly motivated proposal by the Remuneration and Nomination Committee.

In any case, the Board may identify, from time to time, other situations that may affect the independence requirement.

- b) **Training and professional experience.** 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:

¹ This amount was calculated taking into account the consolidated EBIT, representing approximately 0.25%. Therefore, this value may be subject to change if there are significant changes in the consolidated EBIT values.

² This amount was calculated taking into account the consolidated EBIT, representing approximately 1%. Therefore, this value may be subject to change if there are significant changes in the consolidated EBIT values.

- 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, it is considered essential to create and maintain a gender balance within the management body, ensuring that at least two fifths of the ³ 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 nine or ten directors is considered to be adequate. Moreover, this plurality guarantees the possibility of setting up within the Management Body the Committees envisaged by the 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 in listed or large companies not exceeding 3, excluding the positions held within the Group;⁴
- for Non-executive directors, a maximum number of offices in listed or large companies 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 proper

³ With reference to the issue of "gender balance in the bodies of listed companies", note that Italian Law No. 160 of 27 December 2019 ("2020 Budget Law"), by amending Articles 147-ter, paragraph 1-ter, and 148, paragraph 1-bis of Italian Legislative Decree 58/1998 ("TUF" - Consolidated Law on Finance), increased to at least two-fifths the portion of members of the administration and control bodies reserved for the least represented gender and extended their duration from three to six consecutive terms, with effect from the first renewal after 1 January 2020 (the date on which the Budget Law 2020 came into force).

⁴ This means companies with total revenues or total assets, as shown in their latest approved financial statements, exceeding €500 million.

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 the Code (in accordance with Article 2, Recommendation 9, the Statutory Auditors may be qualified as independent auditors on the basis of the same criteria as those laid down for Directors, with the exception of any additional remuneration received for the position of Statutory Auditor with subsidiaries).
- 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 Standing auditors and two alternate 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 purpose of this Policy, when renewing the Corporate Bodies, is to provide guidance both to Shareholders who intend to submit lists within the terms of the law and the Articles of Association, and to the outgoing Board of Directors, if it plans to submit its own list for the appointment of the Board of Directors.

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, 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 paragraph 2, letter d-bis) of the Consolidated Law on Finance.