

**REPORT**  
**ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE**

*pursuant to art. 123 bis of the Consolidated Finance Law (TUF)*

*(traditional administration and control model)*

Issuer: **Aeffe S.p.A.**

Website: [www.aeffe.com](http://www.aeffe.com)

Year covered by the Report: 2020

Date of approval of the Report: 18 March 2021

**COURTESY TRANSLATION.**

**IN CASE OF DISCREPANCY WITH THE ITALIAN VERSION, THE LATTER WILL PREVAIL.**

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## GLOSSARY

**Code/Code of self-regulation:** the Code of Self-Regulation approved in July 2018 by the Committee for the Corporate Governance of Listed Companies and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, as subsequently amended and integrated.

**Cod. civ./ c.c.:** the Italian civil code

**Board:** the Issuer's board of directors.

**Issuer:** Aeffe S.p.A., with registered offices at via delle Querce 51, San Giovanni in Marignano (Rimini), share capital € 26,840,626.00, Rimini Companies Register and Tax Code no. 01928480407, Rimini Business Register (R.E.A.) no. 227228.

**Year:** the financial year covered by the Report.

**Instructions to the Regulations for Markets:** the Instructions to the Regulations for Markets Organized and Managed by Borsa Italiana S.p.A.

**MTA:** the Screen-traded Market organized and managed by Borsa Italiana S.p.A.

**Regulations for markets:** the Regulations for Markets Organized and Managed by Borsa Italiana S.p.A.

**Consob's Issuers' Regulation:** the Regulation governing issuers approved by Consob Resolution no. 11971/1999, as amended.

**Consob's Market Regulation:** the Regulation governing market matters approved by Consob Resolution no. 20249/2017, as amended.

**Consob's Related Parties Regulation:** the Regulation governing market matters approved by Consob Resolution no. 17221 dated 12 March 2010 (as subsequently amended).

**Report:** the report on corporate governance and the ownership structure that companies are required to prepare pursuant to art. 123-*bis* of the Consolidated Finance Law (TUF).

**TUF:** Decree no. 58 dated 24 February 1998 (Consolidated Finance Law), as amended.

## 1. PROFILE OF THE ISSUER

The Aeffe Group operates at an international level in the fashion and luxury sector, producing and distributing a wide range of products that include ready-to-wear, footwear and leather goods, lingerie and beachwear. With a constant focus on uniqueness and exclusivity, the Group develops, produces and distributes collections for both its house brands, including “Alberta Ferretti”, “Philosophy di Lorenzo Serafini”, “Moschino” and “Pollini”. In addition, the Group has licensed the production and distribution of additional accessories and products to leading partners, in order to complete its range (perfumes, kids and junior lines, watches and eyewear). The activities of the Aeffe Group are organized into two segments based on the various brands and product lines: the ready-to-wear division, comprising the business activities of Aeffe, Moschino and Velmar, is mainly focused on the creation, production and distribution of luxury ready-to-wear collections, as well as collections of lingerie, beachwear and loungewear. Distribution covers both the retail and the wholesale channels. This division also manages the licenses granted to non-group companies for the production of lines under the brand names owned by Aeffe and Moschino. The Footwear and leather goods division, comprising Pollini and its subsidiaries, mainly operates in the creation, production and distribution of footwear, small leather goods, bags and coordinated accessories, using exclusive-quality materials. It is also responsible for managing the licensing contracts granted to non-group companies for the creation of Pollini and Studio Pollini branded product lines.

In compliance with regulatory requirements, this report contains a general description of the system of governance adopted by the company and provides information about the ownership structure and adoption of the Code of Self-Regulation.

The company adopts a traditional system of administration and control, in which the Board of Directors plays a central role.

In accordance with the law, the accounting checks are performed by an auditing firm.

The Issuer's system of corporate governance, being the set of rules and methodologies for the planning, management and control of activities that ensure the proper and transparent functioning of the Company, has been devised by the Board of Directors (i) in compliance with the regulations applicable to the Company as a listed Issuer, (ii) in accordance with the Code of Self-Regulation and (iii) to reflect domestic and international best practices.

Governance of the Company is therefore founded on: (i) the guiding role of the Board of Directors in determining the strategic direction; (ii) the transparency of operational decisions both within the Company and in relation to the market; (iii) the definition of a policy for remunerating the directors and executives with strategic responsibilities in compliance with the

provisions of the Code; (iv) the careful management of potential conflicts of interest; and (v) clear procedural rules for the conduct of related-party transactions, in accordance with the regulations in force, and for the processing of corporate information.

The Mission of the Company is to create value for all shareholders, employees, customers and vendors.

The Issuer is qualified as an SME according to the meaning of article 1(1) w-quarter1) of TUF and art. 2-ter of the Consob issuers' regulation and is also indicated as such on the Consob website.

**2. INFORMATION ABOUT THE OWNERSHIP STRUCTURE (ART. 123-BIS, TUF) AS AT 31 DECEMBER 2018**

**(A) Share capital structure (art. 123-bis(1) a), TUF)**

The issued and fully-paid share capital of the Issuer amounts to Euro 26,840,626.00, represented by 107,362,504 ordinary shares, nominal value Euro 0.25 each, that are listed solely in the STAR segment of the MTA. The categories of shares outstanding are indicated in the following table..

<b>SHARE CAPITAL STRUCTURE</b>				
	<b>NO. OF SHARES</b>	<b>% OF SHARE CAPITAL</b>	<b>LISTED IN STAR SEGMENT</b>	<b>RIGHTS AND OBLIGATIONS</b>
ORDINARY SHARES	107,362,504	100%	107,362,504	RIGHTS AND OBLIGATIONS ASSOCIATED WITH ORDINARY SHARES
SHARES WITH MULTIPLE VOTING RIGHTS	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
SHARES WITH RESTRICTED VOTING RIGHTS	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
SHARE WITHOUT VOTING RIGHTS	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
OTHER	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE

The Issuer has not issued any financial instruments carrying the right to subscribe for new shares.

**(B) Restrictions on the transfer of securities (art. 123-bis(1) b), TUF)**

The Articles of Association do not envisage restrictions on the transfer of securities.

**(C) Significant interests in share capital (para. 1.c) of art. 123-bis, TUF)**

Based on the communications made to Consob pursuant to art. 120 TUF, the following significant, direct or indirect interests in the share capital of the Issuer were held as at 31 December 2020. Please note that as the Issuer is an SME, according to article 120, TU, only significant interests greater than 5% of the share capital are indicated.



<b>SIGNIFICANT INTERESTS IN SHARE CAPITAL</b>			
Declarant	Direct ownership	% of ordinary capital	% of voting capital
FRATELLI FERRETTI HOLDING S.R.L.			
	FRATELLI FERRETTI HOLDING	61.797	61.797
AEFFE S.P.A.	AEFFE SPA	6.787	6.787

**(D) Securities carrying special rights (para. 1.d) of art. 123-bis, TUF)**

The Issuer has not issued any securities carrying special rights of control.

**(E) Shareholdings of employees: mechanism for exercising voting rights (ex art. 123-bis(1) e), TUF)**

Employees who own shares in the Issuer exercise their voting rights directly, in accordance with the provisions of the Articles of Association.

**(F) Restrictions on voting rights (ex art. 123-bis(1) f), TUF)**

At the date of this Report, there are no restrictions and/or limitations on voting rights in relation to the Issuer's shares.

**(G) Shareholders' agreements (ex art. 123-bis(1) g), TUF)**

Pursuant to art. 122 TUF, as subsequently amended, and to the best of the Issuer's knowledge, there are no shareholders' agreements in force at the date of this Report.

**(H) Change of control clauses (para. 1.h) of art. 123-bis, TUF) and Articles of Association governing public offers (para. 1-ter of art. 104 and para. 1 of art. 104-bis, TUF)**

At the date of this Report, the Issuer and its subsidiaries have not signed any significant agreements that would become effective or would be modified or terminated upon a change in control over the Issuer or its subsidiaries.

The Articles of Association of the Issuer do not contain exceptions to the passivity rule envisaged in paras. 1 and 1-bis of art. 104, TUF; furthermore, the Articles of Association do not envisage application of the neutralization rules contained in paras. 2 and 3 of art. 104-bis, TUF.

**(I) Mandates to increase share capital and authorization to purchase treasury shares (para. 1.m) of art. 123-bis, TUF)**

The Board has not been granted any mandates to increase share capital pursuant to art. 2443 c.c., or to issue equity instruments.

Pursuant to the shareholders' resolution adopted on 3 March 2008 and 18 April 2019, the Issuer has purchased and currently owns 7,287,039 treasury shares representing 6.787% of share capital.

**(J) Management and coordination activities (art. 2497 et seq. c.c.)**

At the date of this Report, Fratelli Ferretti Holding S.r.l., a company owned jointly by Massimo Ferretti and Alberta Ferretti, directly holds 66,347,690 ordinary shares representing 61.797% of share capital following the merger on 15 December 2020 with the 100% subsidiary I.M.Fashion S.r.l.. Art. 2497-*sexies* c.c. states that “*unless shown otherwise, it is presumed that powers of management and control over companies are exercised by the company or body required to consolidate their financial statements or which controls them pursuant to art. 2359 c.c.*”. Despite this, Aeffe believes that Fratelli Ferretti Holding S.r.l. has never exercised powers of management and control since (i) Fratelli Ferretti Holding S.r.l. does not give instructions to its subsidiary and (ii) there are no significant organizational-functional links between the two companies. Consequently, the Issuer considers that it operates, now and in the past, with full corporate and entrepreneurial autonomy with respect to its parent company, Fratelli Ferretti Holding S.r.l.

Relations with the latter are, in fact, limited solely to:

- (a) the routine exercise by Fratelli Ferretti Holding of the administrative and equity rights deriving from its status as a shareholder (voting at meetings, collection of dividends);
- (b) receipt by the governing bodies of Fratelli Ferretti Holding of the information provided by the Issuer pursuant to para. 5 of art. 2381 c.c.

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The information required by para. 1.i) of art. 123-bis, TUF, is presented in the compensation report published pursuant to art. 123-ter, TUF, while that required by para. 1.l) of art. 123-bis, TUF, is presented in the section of the Report relating to the Board.

### **3. COMPLIANCE (ART. 123 BIS(2) A), TUF.**

The Issuer has adopted the Code, which is available to the public on the website of the Corporate Governance Committee of Borsa Italiana (<http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice/htm>).

Neither the Issuer nor its subsidiaries of strategic significance are subject to non-Italian legislation that would influence the way their corporate governance is organized.

#### 4. BOARD OF DIRECTORS

##### 4.1 APPOINTMENT AND REPLACEMENT (ART. 123 BIS(1) L, TUF)

Pursuant to art. 14 of the Articles of Association, amended on 25 February 2020 following the entry into force of Law no. 157 of 19 December 2019 and in compliance with its provisions, the Board of Directors comprises a variable number of members, between seven and nine, who need not be shareholders, with at least two fifths of the total being of the least represented gender, rounded up to the nearest whole number. The Board includes both executive and non-executive directors. In all cases, at least one member of the Board of Directors, or two if the Board has more than seven members, must satisfy the independence requirements established in art. 148(3) of Decree No. 58 dated 24 February 1998.

The directors remain in office for three financial years and their appointments expire on the date of the Meeting called to approve the financial statements for the final year of their mandate; they may be re-elected.

Please note that the current Board, appointed at the Shareholders' Meeting held on 22 April 2020, terminates on approval of the financial statements as at 31 December 2022.

According to article 15 of the Articles of Association, the ordinary shareholders' meeting is responsible for appointing the members of the Board of Directors from lists of candidates presented by the shareholders, following the methodology described below and in compliance with the regulations currently in force on gender balance, rounding up to the nearest whole number, if applying the gender balance criterion does not result in a whole number.

Shareholders have the right to present lists of candidates if, individually or collectively, they represent at least 2.5% (two point five percent) of the shares with voting rights at Ordinary Meetings, or a different percentage of the Company's share capital as established by current and applicable laws and/or regulations. Each Shareholder as well as (i) shareholders belonging to the same group, comprising the controlling party, not necessarily a company, as defined in art. 2359 Italian Civil Code, and all companies controlled by or under the joint control of that party, or (ii) the members of the same shareholders' syndicate pursuant to art. 122 of Decree No. 58 dated 24 February 1998, or (iii) shareholders who are otherwise joined in relationships deemed relevant under current and applicable laws and/or regulations) may present or contribute with other shareholders to the presentation, directly or via intermediaries or trust companies, of just one list of candidates.

The lists of candidates signed by the shareholders presenting them, or by the shareholder appointed to present them, and accompanied by the documentation required by the Articles of Association must be filed, via electronic documents bearing digital signatures applied in accordance with the applicable regulations, or otherwise, at the registered offices of the Company no later than twenty-five (25) calendar days prior to the date fixed for the Shareholders' Meeting in first (or only) calling and published on the Company's website at least 21 (twenty-one) calendar days prior to the date fixed for the Meeting in first (or only) calling, or any different minimum time envisaged by current legislation or regulations. The filed lists of candidates will also be valid for subsequent callings of the same Meeting, if applicable. In order to demonstrate ownership of the number of shares necessary for the presentation of a list, each nominating shareholder must file the documents confirming such ownership at the registered offices, together with the list, not later than 21 (twenty-one) calendar days prior to the date fixed for the Meeting in first (or only) calling. Each candidate can appear on just one list, or will be ineligible for election. The list must contain a number of candidates no greater than the maximum number of members to be elected. Lists that contain three candidates or more must also include candidates from both genders, so that the least represented gender has the portion of candidates envisaged by the legislation in force at the time (rounded up to the nearest whole number in the case of a fraction). The candidates must be listed in consecutive numerical order. Shareholders who present a list that aspires to obtain the largest number of votes are responsible for ensuring that such list contains a sufficient number of candidates. At least one candidate from each list, or two if the Board of Directors comprises more than seven members, must satisfy the independence requirements established in art. 148(3) of Legislative Decree No. 58 dated 24 February 1998, as amended. In addition to each list, the following information must be filed at the registered offices by the above deadline:

- a) the list of shareholders presenting the list, stating their personal or business names, addresses, company registration numbers or equivalent, and total percentage interest held in the Company's share capital.
- b) the curriculum vitae of each candidate, containing full information on their personal and professional characteristics and an indication, where applicable, that they satisfy the independence requirements established in para. 4 of art. 147-ter of Legislative Decree No. 58 of 24 February 1998, as amended, as well as: (i) their appointments as non-executive directors or auditors of companies listed on regulated markets (including foreign markets) and of banks, insurance companies and other major companies, being those whose total assets or sales reported in their latest financial statements exceeded Euro 500,000,000.00 (five hundred

million); (ii) their appointments as executive directors of any company, including those not covered by the categories mentioned in point (i) above, except for companies that “merely hold” property, equity investments or other assets, and companies whose latest reported sales were Euro 50,000,000.00 (fifty million) or less. For each company in which appointments are held, the following information must be provided: name, address, company registration number or equivalent, and the nature of the appointment (indicating also if directorships are executive, non-executive or independent);

c) the declarations of each candidate confirming acceptance of their nomination and certifying under their personal responsibility:

- the absence of reasons for which they would be ineligible or for which their appointment would lapse pursuant to art. 2382 of the Italian Civil Code;
- possession of the honorability and professionalism requirements established by current and applicable laws and/or regulations;
- possession, if applicable, of the independence requirements established in art. 148(3) of Legislative Decree No. 58 dated 24 February 1998, as amended, and/or their suitability to serve as an independent director pursuant to the Code of Self-Regulation prepared by the Committee for the Corporate Governance of Listed Companies sustained by Borsa Italiana S.p.A. Lists of candidates that do not comply with the requirements specified in the preceding paragraphs will be treated as if they had not been presented. Information about the lists presented is communicated in the circumstances and on the basis established by current regulations.

Each Shareholder with voting rights (as well as (i) shareholders belonging to the same group, comprising the controlling party, not necessarily a company, as defined in art. 2359 Italian Civil Code, and all companies controlled by or under the joint control of that party, or (ii) the members of the same shareholders' syndicate pursuant to art. 122 of Legislative Decree No. 58 dated 24 February 1998, as amended, or (iii) the shareholders who are otherwise joined in relationships deemed relevant under current and applicable laws and/or regulations) may vote for just one list.

Voting is transparent and not secret. For the purposes of appointing directors in accordance with the following instructions, no account will be taken of lists that do not receive at least half the percentage of votes required by art. 15.2 of the Articles of Association for the presentation of such lists. If no lists are presented, the Shareholders' Meeting resolves in accordance with the majorities established by current legislation.

If just one list is presented, all the members of the Board of Directors will be drawn from that list. The Shareholders' Meeting will appoint any directors remaining to be elected, applying the majorities envisaged by law. If, on the other hand, two or more lists are presented, the Board of Directors is appointed in the following manner:

- a) all the candidates, up to the number decided each time at the Shareholders' Meeting, less one, will be drawn from the list that obtains the majority of the votes cast by the shareholders and appointed as directors in the numerical order in which they are presented on that list;
- b) the remaining number of candidates to be elected will be drawn from the list that obtains the second-largest number of votes and appointed as directors in the numerical order in which they are presented on that list, on condition that such list is not linked in any way, directly or indirectly, with the shareholders who presented or voted for the list that obtained the largest number of votes;
- c) the Directors to be elected who satisfy the independence requirements established in the Articles of Association are drawn from the list that obtains the largest number of votes cast by the shareholders or, to the extent that this is not possible, from that which obtains the second-largest number of votes;
- d) in the event of a voting tie between two or more lists, the candidates on the list presented by shareholders with the greatest total equity interest or, failing this, by the largest number of shareholders, are elected.

If the composition of the Board of Directors does not comply with the gender balance criterion then, having regard for the order of listing, the candidate from the most represented gender elected last from the list that obtained the largest number of votes (the "Majority List") shall be replaced, in consecutive numerical order, by the first candidate not elected from that list. Application of this replacement procedure will continue until the composition of the Board of Directors complies with the regulations in force at the time concerning gender balance.

If using the list voting mechanism the number of candidates is lower than the minimum number of Directors envisaged in the Articles of Association, or if using the list voting mechanism the required number of candidates from the least represented gender is not reached, the Board of Directors shall be elected and supplemented at the Shareholders' Meeting, applying the majorities envisaged by law. If, during the year, one or more directors drawn from the list that obtained the largest number of votes (the "Majority Directors") cease to serve for any reason, they will be replaced as follows on condition that the majority of the directors elected at the Meeting continues to serve:

a) the Board of Directors will replace the Majority Directors who have ceased to serve by co-opting new directors, pursuant to art. 2386 of the Italian Civil Code, having regard for both the requirement that independent directors must be co-opted if one or more of the Majority Directors who have ceased to serve were independent directors and the requirement to comply with current regulations on gender balance; b) the co-opted directors remain in office until the next Shareholders' Meeting which will either confirm or replace them in the usual manner with the normal majorities, without recourse to the system of list voting described in this article 15. If, during the year, one or more directors drawn from the list that obtained the second-largest number of votes (the “Minority Directors”) cease to serve for any reason, they are replaced as follows:

- a) the Board of Directors will replace the Minority Directors who have ceased to serve by the first unelected candidates on the same list, on condition that they are still eligible and willing to accept the appointment, and that the appointment complies with current regulations on gender balance or, otherwise, by the first eligible and willing candidates drawn in order from that list or, failing this, from the first subsequent list by number of votes cast that achieved the voting quorum referred to in art. 15.2 above; the mandates of these replacements expire at the same time as those of the directors who were serving when they joined the Board;
- b) if one or more of the Minority Directors who ceased to serve was an independent director, they must be replaced by other independent directors;
- c) if it is not possible to proceed on the basis described above, due to a lack of candidates on the lists or their unwillingness to serve, the Board of Directors co-opts a new director, pursuant to art. 2386 of the Italian Civil Code, who is selected by the Board using the criteria established by law and in compliance with the current regulations on gender balance. The director co-opted on this basis will remain in office until the next Shareholders' Meeting which will either confirm or replace him in the usual manner with the normal majorities, without recourse to the system of list voting described in article 15 of the Articles of Association.



If for any reason the appointment or replacement of one or more directors cannot be accomplished in accordance with the requirements envisaged in this article, the legislation governing the appointment of directors will be applied without following the procedures described in the above paragraphs. In this case, the candidates must have accepted their nominations and confirmed, under their personal responsibility, the absence of reasons for which they would be ineligible or incompatible, and that they satisfy the requirements established by the applicable regulations and the Articles of Association.

The Issuer is not subject to further rules governing the composition of the Board.

In view of the ownership structure of the Company and the fact that, pursuant to the law and the Articles of Association, the directors are appointed at the Shareholders' Meeting from lists presented by the Shareholders, the Issuer has not considered it necessary to adopt a specific succession plan for its executive directors. In fact, the succession plans have the aim of implementing processes in the companies intended to identify replacements of the various managers who hold strategic and executive positions with the professional requirements in line with the company's objectives. Based on the scale and characteristics of the company, such processes may be less or more sophisticated but to be efficient and effective they must all hold the dual objective of avoiding management rights in the short term and promoting generational replacement over the medium-long term.

Having considered the structure of the Aeffe shareholder base and the scale of the company, based on the evaluations made by the Control and Risk Committee at the meeting of 16 July 2018, the Issuer decided that the development and any adoption of succession plans are not a company requirement at present as such plans are generally for companies of significant scale and with a more diffuse shareholder base.

#### **4.2 COMPOSITION OF THE BOARD OF DIRECTORS (PARA. 2, LETTERS D) AND D-BIS) OF ART. 123-BIS, TUF)**

At the date of this Report, the composition of the Board is set out in the table contained in attachment 1 to the Report.

The Shareholders' Meeting held on 22 April 2020 appointed the Board with reference to the list presented by Fratelli Ferretti Holding S.r.l. and IM Fashion S.r.l. ("Majority Shareholders") and the minority list presented jointly by Anima SGR. S.p.A. manager of the following funds: Anima Crescita Italia, Anima Iniziativa Italia; Arca Fondi SGR S.p.A. manager of the funds: Arca Economia Reale Bilanciato Italia 30, Arca Economia Reale Italia, Arca Azioni Italia; Eurizon Capital SGR S.p.A. manager of the funds: Eurizon Progetto Italia 70, Eurizon PIR Italia Azioni); Fideuram Asset Management (Ireland) (manager of the fund: Fonditalia Equity

Italy; Fideuram Investimenti SGR S.p.A. manager of the funds: Fideuram Italia, Piano Azioni Italia, Piano Bilanciato Italia 50, Piano Bilanciato Italia 30; Interfund Sicav Société d'Investissement comparto Interfund Equity Italy; Generali Investments Luxembourg S.A. gestore del fondo Generali Smart Funds Sicav; Mediolanum International Funds Limited gestore del fondo Challenge Funds – Challenge Italian Equity; Mediolanum Gestione Fondi SGR S.p.A. Manager of the funds Mediolanum Flessibile Futuro Italia and Mediolanum Flessibile Sviluppo Italia (“Minority Shareholders”).

The above lists, accompanied by the documentation specified in art. 15 of the Articles of Association, were filed at the registered offices and with Borsa Italiana within the time limits established by law and the Articles of Association.

They were also published on the Company's website during the twenty-one days prior to the Shareholders' Meeting.

List 1, presented by Fratelli Ferretti Holding S.r.l. and I.M. Fashion S.r.l. indicated the following candidate members of the Board of Directors:

- 1 Massimo Ferretti
- 2 Alberta Ferretti
- 3 Simone Badioli
- 4 Marcello Tassinari
- 5 Roberto Lugano
- 6 Daniela Saitta
- 7 Bettina Campedelli
- 8 Michela Zeme
- 9 Fausto Bacchini.

List 2, presented by the Minority Shareholders indicated the following candidate members of the Board of Directors:

- 1 Marco Francesco Mazzù
- 2 Daniela Montemerlo.

List 1, presented jointly by the Majority Shareholders received the favorable vote of 2 shareholders – specifically the shareholders Fratelli Ferretti Holding S.r.l. and I.M. Fashion S.r.l. in the amount of 66,347,690 (sixty-six million, three hundred forty-seven thousand, six hundred ninety) shares amounting to 88.864% (eighty-eight point eight six four percent) of the share capital represented at the Meeting.

Lista 2, presented jointly by the Minority Shareholders, received the favourable votes of 31 (thirty-one) shareholders for 8,314,350 (e8 million three hundred fourteen thousand, three

hundred fifty) shares, specifically Anima Crescita Italia, Anima Iniziativa Italia; Arca Fondi SGR S.p.A. Arca Economia Reale Bilanciato Italia 30, Arca Economia Reale Italia, Arca Azioni Italia; Eurizon Progetto Italia 70, Eurizon PIR Italia Azioni; Fonditalia Equity Italy; Fideuram Investimenti SGR S.p.A. BNP Paris Equity Focus Italia, Fideuram Italia, Piano Azioni Italia, Piano Bilanciato Italia 50, Piano Bilanciato Italia 30; Interfund Sicav Société d'Investissement comparto Interfund Equity Italy; Generali Smart Funds Sicav; Challenge Funds – Challenge Italian Equity; Flessibile Sviluppo Italia, Highclere International Investors International Smaller, BNPP Moderate Focus Italia, Generali Smart Fund Sicav, Ishares VII PLC, John Hancock Funds II International Small Company Fund., Lockheed Martin Corporation Master Retirement Trust, Government of Norway, Brighthouse F TR II – Brighthouse/Dim Int Small Company PTF, Challenge Funds- Challenge Italian Equity, American Century Trust – Avantis International Small Cap, the equivalent of 7.744% (seven point seven four four percent) of the share capital attending the Meeting.

Pursuant to art. 15.5 of the Articles of Association and having regard for the gender balance requirement, the Board of Directors comprises the following nine members:

1. Massimo Ferretti
2. Alberta Ferretti
3. Simone Badioli
4. Marcello Tassinari
5. Roberto Lugano
6. Daniela Saitta
7. Bettina Campedelli
8. Michela Zeme
9. Marco Francesco Mazzù.

The directors Roberto Lugano, Daniela Saitta, Bettina Campedelli, Michela Zeme, Marco Francesco Mazzù are independent directors according to the meaning of TUF.

The Board of Directors, as appointed, will remain in office for three years and, therefore, its mandate will expire that the Meeting called to approve the financial statements for 2022.

The personal and professional characteristics of each director are indicated in the nominations presented by the shareholders, which are published on the website of the Company at the following webpage: <http://www.aeffe.com/aeffeHome.php?pattern=11&lang=ita>.

#### **Diversity criteria and policies**

The company has adopted the statutory obligation to appoint members of its Board of Directors according to the gender balance provisions. Additionally, the Issuer believes that the

members of its Board of Directors should have the necessary skills and professional abilities to carry out their respective roles. Following the entry into force of Law no. 157 of 19 December 2019 and in compliance with its provisions, at least two fifths of the Board of Directors belong to the least represented gender. The Company nevertheless appoints professionals of great skill and experience, drawn from major industrial and commercial enterprises and/or expert and famous professional practices and/or from using universities, as members of its administrative and management bodies.

The Issuer applies the gender diversity criteria referenced in standards 2.P.4 and 8.P.2 of the Code respectively for the composition of the board of directors and the board of statutory auditors.

#### **Maximum number of appointments held in other companies**

The Board has not established general criteria for the maximum number of appointments held in companies listed in regulated markets, banks, finance companies, insurance companies or other large companies, that is deemed compatible with the work performed by its directors and statutory auditors. Nevertheless, the Board has identified such appointments based on the declarations made by the Issuer's directors and statutory auditors.

#### **Induction Program**

The Issuer has not prepared a formal training plan for the current Board. Nevertheless, acting in a manner consistent with the current provisions of the Code of Self-Regulation and with a view to enabling the directors to perform their role in full awareness, the Chairman of the Board of Directors has consistently helped Board members to obtain and progressively refine their knowledge of the market and the sector concerned, the business of the Group, the risks faced and the system of internal controls, the organizational structure of the Company, its activities and the regulatory framework governing such activities, via specific meetings and other communications to provide them with such information. The Chairman of the Board of Directors has also encouraged directors to make suggestions for innovating and identifying trends, expressing the creativity of all business sectors in the best possible way and guiding them to generate value as a consequence.

The Chairman of the Board of Directors of the Issuer encourages and promotes formal meetings with the directors around the meetings of the Board and the Shareholders. The Board met eight times during the reporting period.

The percentage attendance at Meetings by each directors is indicated below:

1. Massimo Ferretti;	Chairman of the Board of Directors	100%
2. Alberta Ferretti;	Deputy Chairman of the Board of Directors	50%
3. Simone Badioli;	Chief Executive Officer	100%
4. Marcello Tassinari;	Executive Director and General Manager	100%
5. Daniela Saitta;	Independent director	100%
6. Roberto Lugano	Independent Director	100%
7. Michela Zeme (since appointment on 22/4)	Independent Director	100%
8. Bettina Campedelli	Independent Director	100%
9. Marco Francesco Mazzù (since appointment on 22/4)	Independent Director	100%

The current composition of the Board of Directors is in line with current regulations governing gender balance.

The average duration of a Board meeting is an hour and a half.

At least five Board meetings are planned for 2021, two of which (28 January and 18 March) have already been held.

In order to ensure that Board members receive all the information and documents needed to make decisions, the Chairman has instructed the secretariat of the Board to send out supporting documentation for the items placed on the agenda for discussion well in advance of the date set for each meeting and, usually, at least 3 days beforehand.

No Board meetings were held in 2020 without the provision of information beforehand. The notice period normally deemed appropriate for sending the information is three days prior to each board meeting.

During Board meetings, the Chairman introduces each individual item on the agenda with, if necessary, assistance from the chief executive officer or the general manager. He then invites the directors to ask related questions and request any clarification needed. After hearing the opinions of the directors and providing any appropriate clarification requested, each item is put to the vote.

Where necessary for the technical and more detailed analysis of agenda items, the Board invites the Issuer's executives to attend meetings in order to provide directly the required clarification. Pursuant to art. 19.1 of the Articles of Association, the Board exercises the widest powers for the administration of the Company, without any exceptions, and has the right to perform all deeds deemed appropriate for the pursuit and achievement of the Company's objects, with the sole exclusion of those reserved by law for the Shareholders' Meeting.

Pursuant to art. 19.6 of the Articles of Association, the following resolutions cannot be delegated and must be adopted by the Board pursuant to art. 2436 c.c.:

- mergers or spin-offs pursuant to arts. 2505, 2505-*bis* and 2506-*ter* c.c.;
  - opening or closure of secondary offices;
  - transfer of the registered offices elsewhere in Italy;
  - indication of which directors are the Issuer's legal representatives;
  - reduction of capital following withdrawal by a shareholder;
  - alignment of the articles of association to reflect compulsory regulatory requirements,
- without prejudice to the fact that such resolutions can, in any case, also be adopted at an extraordinary shareholders' meeting.

Pursuant to Criterion 1.C.1 of the Code, the Board has sole responsibility for:

- examination and approval of the strategic, industrial and financial plans of the Issuer and the group it heads, the Issuer's system of corporate governance and the structure of the group;
- definition of the nature and level of the risks accepted, compatible with the strategic objectives of the Issuer, including an assessment of all risks that may be significant in terms of the medium/long-term sustainability of the activities of the Issuer;
- assessment of the adequacy of the organization, administrative and financial accounting systems of the Issuer, and those of subsidiaries of strategic importance, prepared by the Managing Directors, with particular reference to the system of internal controls and the management of conflicts of interest;
- granting and revoking the mandates of the Managing Directors, establishing the limits on their powers and how they may be exercised;
- establishing the frequency, in all cases at least quarterly, with which delegated bodies report to the Board on the activities carried out pursuant to their mandates;
- determination, having examined the proposals made by the relevant committee and heard the opinion of the Board of Statutory Auditors, of the remuneration of the Executive Directors and the other directors with special duties, as well as the allocation of the total remuneration due to members of the Board who do not have special duties, if not already decided at the Shareholders' Meeting;

- assessment of the general results of operations, having regard in particular for the information received from bodies with delegated powers, and periodically comparing the results achieved against budget;
- acquisition of firms and equity investments and merger and spin-off transactions and other special operations that may have strategic, economic or financial importance for the Issuer.

As envisaged in art. 19.2 of the Articles of Association and pursuant to art. 150 of Legislative Decree No. 58 dated 24 February 1998, the directors report to the Board of Statutory Auditors, at least quarterly, on the work performed and on the principal economic, financial and equity transactions carried out by the Company and its subsidiaries, as well as on the transactions in which they have an interest, whether personally or on behalf of third parties, or which were influenced by the party which directs and coordinates the activities of the Company. The directors communicate this information verbally to the Board of Statutory Auditors during meetings arranged specifically for that purpose, during Board meetings or during the meetings of the Board of Statutory Auditors held pursuant to art. 2404 Italian Civil Code.

The Board is therefore responsible for the examination and prior approval of the transactions of the Issuer and its subsidiaries when they have strategic, economic or financial importance for the Issuer.

The Issuer complies via informal operating practices with the requirements of Principle 1.P.2 of the Code regarding the obligation placed on members of the Board to act and resolve in an informed and independent manner, pursuing the objective of creating value for the shareholders over the medium-long term.

In application of Criterion 1.C.1.f), the Board has resolved to retain the following activities for itself: acquisition of firms and equity investments, merger and spin-off transactions and other special operations that may have strategic, economic or financial importance for the Issuer.

Each quarter at meetings held to approve financial information, the Board assesses the adequacy of the organization and accounting systems of the Issuer put in place by the executive directors, who report to the other directors on the functioning of the system of internal controls and the management of conflicts of interest. In view of the fact that such information is provided periodically and that, to date, no critical issues have emerged, the above reports from the executive directors are not documented in the Board minutes, although they would be if they highlighted problems to be addressed by the Board.

Similarly, the Board evaluates the organization, administrative and financial accounting systems of the subsidiaries of strategic importance put in place by their managing directors; the information needed for this assessment is gathered by employees reporting to the Issuer's general manager, who then discusses it directly with the managing directors of the subsidiaries of strategic importance. He then presents the information obtained to the Board on a quarterly basis. Here too, in view of the fact that such information is provided periodically and that, to date, no critical issues have emerged, the above reports are not documented in the Board minutes, although they would be if they highlighted problems to be addressed by the Board.

At its meetings, the Board assesses the general results of operations, having regard in particular for the information received from the directors and committees, and periodically compares the results achieved against budget.

For an understanding of the general principles for identifying transactions that have strategic, economic or financial importance for the Issuer, reference is made to the criteria identified by the Board in the procedure governing the following types of related-party transaction: Transactions involving Minor Amounts, Transactions of Greater Significance, Transactions of Lesser Significance, and Routine Transactions.

Each year the Board of Directors assesses the size, composition and functioning of the Board and Board committees. This assessment, usually made at the meeting held to approve the draft financial statements, was made at the meeting held on 12 March 2020. To collect the data necessary for an in-depth assessment, the Risks Control and Sustainability Committee, given the scale of the company's requirements, prepared a self-assessment questionnaire that was sent to all directors prior to the Board meeting. The questionnaire asked the directors to give their individual assessment of the adequacy of the pre-meeting information received during the trading period, as well as individual opinions on the board review issues, for example the operation of committees, the contribution of directors based on competences, the opportunity to contribute to greater and improved business development, etc..

The aggregated results of the questionnaire were examined by the Committee during the meeting of 11 March 2020 and no critical issues emerged. At the meeting of 12 March 2020, the Board of Directors acknowledged the fact that its scale and composition, and those of the committees during the three years of office were deemed appropriate for the functions it performs and, as regards the operation of the Board and the committees, that it was found to be effective and no critical issues have arisen.



This is also in consideration of: i) the adequate number of members of the Board of Directors, one third of which are of the least represented gender; (ii) the adequate number of independent and non-executive directors with specific legal knowledge (Campedelli and Saitta) and finance, administration and accounting knowledge (Campedelli, Saitta and Lugano); (iii) the duration of each directorship over a three-year renewable term, which allows directors enough time for analysis and to obtain a sufficiently complete knowledge of the origins and development of the business and its activities.

Also note that of the 9 members of the Board of Directors of the Issuer, 5 are independent directors according to TUF, this aspect, as well as meeting the legal requirements, is also a guarantee of integrity and transparency to the market and the shareholders. Additionally, the independent members of the Board of Directors have extensive business and professional experience. The executive directors, as well as having proven professionalism and management abilities, have a broad and in-depth knowledge of the industry, and significant industrial experience. As regards the committees, the Risks and Sustainability Control Committee and the Remuneration Committee comprise three independent directors as defined by TUF. These directors also have robust and recognized financial and accounting skills.

The committees meet regularly and are continually involved in issues covered by the Board that include topics/decisions that involve consulting the committees and their chairpersons have not highlighted the critical issues in their operation.

The Board also took note of the provisions of Application Criterion 1.C.1, letter h, and - given the specific skills of each individual and the comprehensive professional characteristics of the members taken together - did not deem it necessary to make recommendations to the Shareholders' Meeting about the identification of any supplementary professional and managerial skills not already available; if necessary, the Board reserves the right to notify the shareholders in future about any professional skills whose presence on the Board is considered appropriate.

Given the appointment of a new Board of Directors on 22 April 2020, at the meeting of 6 May 2020, the Board also confirmed the requirements of independence of the directors Daniela Saitta, Bettina Campedelli, Michela Zeme, Marco Francesco Mazzù and Roberto Lugano.

In compliance with the Code of Self-Regulation, directors accept appointment when they believe themselves able to dedicate the time necessary to perform diligently the tasks required by the nature of their role. This assessment takes account of their membership of Board committees and the commitment associated with their own working and professional activities, as well as the number of and commitment associated with any other directorships and audit appointments held in other companies, considering the applicable regulations. Directors ensure that they continue to comply with the above conditions throughout the period of their mandate.

Furthermore, aware of the inherent responsibilities associated with their role, directors are required to keep themselves constantly informed about the principal legislative and regulatory changes affecting the Company and the performance of their functions.

The directors align their behavior with the requirements of the Code of Ethics, the Code of Internal Dealing and all instructions by which the Company governs the actions of its directors; just as the members of the Board of Statutory Auditors, the directors maintain the strict confidentiality of the documents and information that come to their attention by virtue of their office.

The Shareholders' Meeting has not granted advance relief from the no-competition requirements laid down in art. 2390 c.c. to the Issuer's directors.

#### **4.4 EMPOWERED BODIES**

##### **Managing Directors**

The Board meeting of 6 May 2020 attributed the Chairman Massimo Ferretti all the broadest powers, assigning him sole control over the implementation and correct execution of the injury protection portfolio, and assigned in particular the power of (i) organizing processes by giving the necessary instructions and directives to protect the health and safety of employees and adopting the due disciplinary measures, in case of their violation; (ii) adopting all measures deemed necessary to protect the health and safety of employees, including performing all urgent and immediate measures for achieving or restoring conditions of safety in work environments; (iii) signing purchase orders, contracts for works and any other form of exchange of goods, services or provision of intellectual works deemed necessary for the implementation, the correct management, the improvement or review of the portfolio for the protection of the health and safety of employees. Massimo Ferretti was also granted all the broadest powers of ordinary and extraordinary administration to be exercised freely as sole signatory, without limitations on amount or expenditure, with an express option to delegate, save for operations of (i) the purchase, sale, transfer and conferment of immovable assets

subject to cadastral registration; (ii) the purchase, sale, transfer and conferment of lines of business that include assets subject to cadastral registration; (iii) the sale of brands used within the scope of the company objects; (iv) the purchase, sale, transfer and conferment of lines of business or holdings in companies with a value in excess of € 5,000,000.

The same Board granted Alberta Ferretti the following powers, moving from her the oversight of powers relating to the implementation and correct fulfillment of the injury protection portfolio, all the broadest powers of ordinary and extraordinary administration to be exercised freely as sole signatory, without limitations on amount or expenditure, with an express option to delegate, excluding transactions involving (i) the purchase, sale, exchange or contribution of property subject to registration; (ii) the purchase, sale, exchange or contribution of lines of business that include property subject to registration; (iii) the sale of trademarks used in pursuit of the company's objects; (iv) the purchase, sale, exchange or contribution of lines of business or investments in companies with a value in excess of € 5,000,000.

On 6 May 2020, the Board granted Simone Badioli the following powers, removing her from the implementation and correct fulfilment of the injury protection portfolio, all the widest powers of ordinary and extraordinary administration to be exercised freely as sole signatory, without limitations on amount or expenditure, with express option to delegate, save for transactions involving (i) the purchase, sale, exchange or contribution of property subject to registration; (ii) the purchase, sale, exchange or contribution of lines of business that include property subject to registration; (iii) the sale of trademarks used in pursuit of the company's objects; (iv) the purchase, sale, exchange or contribution of lines of business or investments in companies with a value in excess of € 5,000,000.

- By resolution adopted on 6 May 2020, the Board granted the director Marcello Tassinari, who also holds the role of General Manager of the Aeffe Group, the necessary management powers. The Board therefore attributed Mr. Tassinari the following powers, by releasing him from the implementation and correct fulfillment of the injury protection portfolio, to be exercised freely as sole signatory, without limitations on amount or expenditure and with express option to delegate:

1. set down, modify, extend and terminate all types of purchase and sale contract, with all appropriate clauses including recourse to arbitration, that are necessary or useful for the development of the Company's industrial and commercial activities, including but not limited to contracts and agreements for the hire of assets, transportation, the supply of work, services and goods, the free use of assets, leases and rentals, business rentals, agency work, franchises, construction work and the provision of services of all

- kinds, with the sole exclusion of transactions involving (i) the purchase, sale, exchange or contribution of property subject to registration; (ii) the purchase, sale, exchange or contribution of lines of business that include property subject to registration; (iii) the licensing and sale of trademarks used in pursuit of the Company's objects; (iv) the purchase, sale, exchange or contribution of lines of business or investments in companies with a value in excess of € 5,000,000; to sign the above contracts with the public administration, public and private bodies and, in particular, with the national railways administration;
2. to represent the Company in dealings with banks, customers, suppliers, agents and third parties in general, sign correspondence, pay accounts and invoices and make any related settlements;
  3. to sign communications with the Companies Register, Chambers of Commerce, the Bank of Italy, Consob, the Competition Authority, the Stock Exchange, ministries and other public and private bodies and offices concerning requirements placed on the Company by laws, regulations or regulatory or administrative instructions, to sign and present declarations and communications concerning value-added tax, registration taxes, Ires, Irap and all other direct and indirect taxes, ICI declarations, as well as any and all attachments or attestations relating to the above deeds;
  4. to sign with appropriate clauses, including arbitration clauses, amend and terminate, transfer and acquire for disposal, contracts for the purchase, sale or exchange of know-how, secrets and research, including designs, plant and engineering works in general;
  5. to carry out all the deeds necessary to register patents including, by way of example, applications for corrections, amendments, extensions to confidentiality, divisions, propose or challenge administrative objections, interference, administrative appeals, carry out all other general deeds that may be necessary and useful for requesting, obtaining and maintaining patents and/or trademarks of the Company, sign all deeds necessary for the exercise of the above powers, appointing for this purpose patent agents in Italy and abroad and granting them the related powers;

6. to carry out with the Public Administration, public bodies and offices all the deeds and transactions necessary to obtain concessions, licenses and authorizations in general, set down and sign regulations, conventions, acts of submission and all other preparatory deeds for such measures; fulfill all the related requirements, including those concerning taxes on production and consumption, land and monopoly levies;
7. sign the currency declarations for import and export transactions issued by the Bank of Italy and authorized banks, arranged for the related currency settlements and, in particular, sign the forms requesting the application of simplified customs procedures;
8. transfer currency amounts and payments received from abroad from bank to bank, give instructions to banks for the use of such amounts and for the processing of currency declarations regarding export transactions;
9. carry out, in any currency, the transactions described below with banks and finance companies in general; pay in any amounts to the Company's current accounts with any bank or finance company; issue checks with or without special clauses or restrictions; use in any way the amounts to the credit of the Company or otherwise available in such accounts, whether by drawing sums against a simple receipt, by the issue of checks, including checks for the benefit of the Company, by payment orders or requests for the issue of bankers' drafts; overdraw the Company's current accounts to the extent of agreed lines of credit; cash drafts and checks of all kinds and in any currency, with the usual reservations; request and collect blank check books for current accounts opened in the Company's name, giving receipts; order the sale and purchase of currency for all import and export transactions;
10. arrange insurance contracts of all kinds, signing the related policies with the right to settle and demand, in the event of losses, the related indemnities, giving receipt to those that require it and agreeing in settlement all other indemnities due to third parties for any losses arising;
11. make deposits for any reason and withdraw them from post and telegraph offices, banks, central banks, the tax authorities, the central and branch offices of Cassa Depositi e Prestiti, customs, the national and private railways, transport and shipping firms etc.; collect from post and telegraph offices, customs, railways, transport and shipping firms and, in general, from any public offices and any company or premises, payment orders, packages, letters including registered and insured letters declaring their value, goods, cash etc., giving receipts and releases from responsibility;

12. represent the Company in dealings with local or sector industrial associations, taking part in meetings with the right to reach and sign agreements with them;
13. demand and give receipts for amounts, credits, earnings, interest, dividends, checks and payment orders issued by whosoever in favor of the Company, endorse such securities over to banks, protest amounts not honored and arrange for recalls;
14. represent the Company before civil, administrative and judicial authorities and bodies at all levels, as well as before the tax authorities; represent the Company in any and all fiscal disputes before any authority or office, including the tax commissioners at all levels, demographic and customs offices, and panels of experts, with the power to sign appeals, sign and present declarations and communications concerning IRES, IRAP, VAT, registration taxes and all other direct and indirect taxes, ICI declarations and any and all attachments or attestations concerning the above deeds; propose and accept settlements, promote legal claims, appear as plaintiff or defendant, proposing all appropriate deeds and represent the Company in creditors' meetings, make proposals or obtain registration of amounts due in bankruptcy and other court supervised procedures; accept creditors' arrangements and demand the related amounts, settle any amounts or cases outstanding, agree to arbitration and mediation, including those with rulings that cannot be appealed, ensure the enforcement of judgments, defer, refer and accept sworn oaths, promote the attachment or seizure of assets or other forms of credit protection in relation to debtors and third parties, and revoke the same, appoint solicitors, lawyers and experts, revoke such appointments and elect domicile;
15. sign declarations of the remuneration subject to withholding taxes to be given to third parties pursuant to and by effect of art. 3 of DPR no. 600(1) dated 29 September 1973;
16. represent the Company with the State Tax Authorities, the central and branch offices of Cassa Depositi e Prestiti, the State, Regional, Provincial and Municipal Treasuries, so that in the name of and on behalf of the Company he may carry out any transaction involving the payment of release of provisional and final guarantee deposits, collect payment mandates for whatever reason issued or to be issued in favor of the Company by State or near-State entities, giving good receipt without any limitation of amount, exonerating the above administrations from all responsibility, stating that the Company reserves the right to and agrees to communicate to the above competent authorities any changes in this mandate, exonerating them from any responsibility for the untimely notification of any changes to it;

17. register mortgages on the assets of third parties and cancel mortgages for the benefit of third parties, even in relation to debts that have not been settled in whole or in part;
18. arrange to hire and dismiss executives, clerical and factory workers, adopting in relation to employees all the measures deemed necessary and useful, sign employment contracts and determine remuneration levels;
19. request, negotiate and sign contracts for bank lines of credit and all other contracts relating to loans requested from third parties;
20. request, negotiate and sign contracts for the sale of receivables to factoring companies and/or third parties operating in the same sector;
21. give and sign guarantees and sureties in favor of the subsidiaries of Aeffe S.p.A. and, in all cases, in favor of companies belonging to the Aeffe Group and/or associated with Aeffe S.p.A.
22. give and sign guarantees and sureties in favor of banks and third parties in general to guarantee deposits granted to subsidiaries of Aeffe S.p.A. and, in all cases, in favor of companies belonging to the Aeffe Group and/or associated with Aeffe S.p.A.;
23. based on the contractual commitments relating to business activities, arrange to issue and sign guarantees in favor of third parties and/or banks in the interests of third parties, sign the related deeds and commitments to the guarantors and, similarly, make guarantee deposits of any kind.

Simone Badioli, as the Chief Executive Officer of the Issuer, is identifiable as the person primarily responsible for the management of the business. In this role, Simone Badioli receives constant support from Marcello Tassinari, the General Manager.

With regard to the positions held by Simone Badioli, the *interlocking directorate* situation envisaged in Application Criterion 2.C.6 does not apply, since Simone Badioli (A) is not a director of any other issuer; (B) is not a director of any companies not belonging to the same group, in which the *chief executive officer* is a director of the Issuer.

### **Chairman of the Board**

Operational powers have been granted to the Chairman in view of Massimo Ferretti's central role and position within the organization of the Company and the Aeffe Group.

Massimo Ferretti has always promoted the family brand name and is principally responsible, together with Alberta Ferretti, for the growth strategy of Aeffe and the creation of the Aeffe Group.

The Chairman is not the party that controls the Issuer pursuant to art. 93 TUF. The Issuer is controlled by Fratelli Ferretti Holding S.r.l., a company owned jointly by Massimo Ferretti and Alberta Ferretti.

The Chairman does not perform the role of *chief executive officer*.

### **Executive committee (para. 2.d) of art. 123-bis, TUF)**

The Company has decided not to establish an Executive committee.

### **Information provided to the Board**

At the Board meetings held at least every quarter, the executive directors report to the Board on the work performed under the mandates granted to them.

#### **4.5 Other executive directors**

Except for the members indicated as Executive Directors referred to in section 4.4 and for Alberta Ferretti, Executive Deputy Chairman of the Company, who primarily focuses on developing the style and prestige of the collection presented under her name, as well as on building awareness about the Company, there are no other directors with executive roles.

#### **4.6 Independent directors**

When appointing the Board of Directors on 22 April 2020, the shareholders that presented lists also indicated which directors were independent; their assessment was adopted on 6 May 2020, at the first Board meeting held subsequent to appointment of the new Board.

Daniela Saitta, Roberto Lugano, Michela Zeme, Marco Francesco Mazzù and Bettina Campedelli are non-executive directors since they do not hold operational mandates and/or perform executive functions within the business. Consistent with Principle 2.P.2 of the Code, the non-executive directors bring their specific skills to Board discussions, contributing to the making of balanced decisions and taking special care in the areas where conflicts of interest may arise.



The Board found that the non-executive directors Daniela Saitta, Bettina Campedelli, Michela Zeme and Marco Francesco Mazzù fulfilled the requirements of independence prescribed by principle 3.P.2 and criterion 3.C.1 of the Code of self-regulation for listed companies.

The directors Roberto Lugano, Daniela Saitta, Michela Zeme and Marco Francesco Mazzù have in fact confirmed that none of the circumstances listed in Application Criterion 3.C.1. (which indicates some of the most common situations symptomatic of a lack of independence) apply to them; furthermore, the above Directors do not maintain, and have not recently maintained, directly or indirectly, relations with the Company or related parties that would condition at this time the independence of their judgment. In relation to non-executive director Roberto Lugano, member of the Board of Aeffe S.p.A. for more than nine years and having all of the requirements of independence prescribed by TUF, the Board found, in consideration of the most robust application of application criterion 3.C.1,e), to which the Chairman of the Corporate Governance Committee of Borsa Italiana referred Issuers in his latest letter, to consider him solely non-executive in accordance with the requirements of the Code of self-regulation in relation to a greater than nine-year office term.

At the meeting of 6 May 2020, according to the provisions of article 3.C.5. of the Code of self-regulation in force, the Board verified the correct application of the criteria of procedures for verification it adopted to assess the independence of its members.

The Issuer arranged to disclose the outcome of the Board assessment of the independence of the above-mentioned directors in a press release communicated to the market.

During the reporting year, the independent directors met by video conference, with the participation of the Board of statutory auditors, on 20 July 2020. The independent directors did not consider it necessary to convene additional formal meetings.

The independent directors have agreed to maintain their independence for the duration of the mandate granted to them.

#### 4.7 Lead independent director

Given that the position of Chairman of the Board of Directors of the Issuer is held by a person appointed by the majority shareholder of the Issuer, on 6 May 2020 the Board appointed Daniela Saitta as Lead Independent Director, pursuant to Criterion 2.C.5 of the Code.

The Independent Directors liaise with the Lead Independent Director in order to enhance their contribution to the activities and functioning of the Board. This person provides a point of reference and coordination for requests and contributions of the Independent Directors and, additionally, works with the Chairman of the Board of Directors to ensure that the directors receive complete information on a timely basis.

Among other powers, the Lead Independent Director may - acting alone or upon request from other directors - call meetings attended solely by the Independent Directors (known as Executive Sessions of the Independent Directors) to discuss matters considered of interest, on a case-by-case basis, regarding the functioning of the Board of Directors or the management of the business.

During the year, in this role, Ms Saitta coordinated the requests made to the Board by non-executive and independent directors, ensuring that such requests were taken into proper consideration during the discussions.

## 5 DEALING WITH CORPORATE INFORMATION

The Code requires directors and statutory auditors to maintain confidential the documents and information obtained in the performance of their duties, and to comply with the procedures adopted by the Issuer for the internal management and external communication of such documents and information.

Consistent with this requirement and the provisions contained in paras. 1 and 12 of art. 114 and art. 115-bis, TUF, as well as in arts. 66 et seq. and 152-bis et seq. of the Issuers' Regulation, since March 2007, the Issuer has also adopted a code of conduct in relation to privileged information ("Code on Privileged Information") and has established (in July 2007) a register of persons with access to privileged information in view of their job, functions or professional activities.

Such registers have been properly established for both the Issuer and its subsidiaries.

In addition, in compliance with para. 7 of art. 114, TUF, and arts. 152-sexies et seq. of the Issuers' Regulation, the Board also adopted a code of conduct for internal dealing (the "Code on Internal Dealing") which identifies the so-called "relevant persons" and governs the way their transactions in shares issued by the Issuer, or other related financial instruments, are communicated to Consob and the general public. Furthermore, pursuant to para. 3.p) of art. 2.2.3 of the Market Regulation, the Code also bans "relevant persons" from carrying out transactions in the Issuer's shares and/or financial instruments during the so-called black-out periods i.e. during the 30 calendar days prior to communicating to the public approval of the draft financial statements and the six-monthly report, and during the 15 calendar days prior to the approval of quarterly reports.

In order to implement in full the Code on Privileged Information, and pursuant to art. 2.6.1, Chapter 2.6 of the Market Regulation, the Board has appointed Giulia Degano as Contact Officer, and Annalisa Aldrovandi as her deputy, and tasked them to comply with the legislative and regulatory requirements for Contact Officers, with particular reference to the matters of internal dealing and the communication of privileged information, as well as the requirements for communications to the market described in Chapter 2.6 of the Market Regulation and, more generally, the requirements of the Code on Internal Dealing and the Code on Privileged Information.

Following the entry into force of the legislation that adopted Directive 2014/57/EU dated 16 April 2014 on the criminal penalties for market abuse (MAD II), as well as the provisions of EU Regulation 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuses, the Issuer revised the internal regulations on internal dealing, privileged information and the related register of persons with access to that information, and prepared procedures for the dissemination of privileged information and for managing the register of persons with access to it; these procedures were approved and adopted at the Board meeting held on 28 July 2016.

## 6 BOARD COMMITTEES (para. 2.d) of art. 123-bis, TUF)

These Committees are internal to the Board, carrying out a consultative role and making recommendations, thereby improving the functioning of the Board and its ability to provide strategic guidance.

Consistent with Principles 4, 6 and 7 of the Code and para. 3, letters m), n) and o), of art. 2.2.3 of the Market Regulation, on 6 May 2020 the Board appointed the members of these Committees.

No Committees have been established to cover two or more of the functions envisaged in the Code.

The functions of the Committees have not been allocated in a manner different to that called for by the Code, and the Board has not reserved for itself any of the functions of one or more Committees.

The composition and functioning of the Committees is described in sections 8 and 10 of the Report.

## **7 NOMINATIONS COMMITTEE**

At the date of this Report, the Board has not established an internal Nominations Committee, since this is not deemed necessary. This decision reflects the fact that the current and applicable regulatory requirements and the provisions of the Articles of Association - including, in particular, the mechanism of nominations via a list voting system - ensure a suitable level of transparency for the procedure of selecting and nominating candidates.

## 8 COMPENSATION COMMITTEE

The Compensation Committee comprises non-executive directors, the majority of whom are independent. Its members are:

- Daniela Saitta – Independent director
- Roberto Lugano – Non-executive director
- Michela Zeme – Independent director.

The Board has recognized all three members indicated above as having robust vast finance and accounting experience.

The role of the Compensation Committee is to make proposals to the Board, in the absence of the directors involved, concerning the remuneration of the executive directors and those with specific responsibilities, as well as - at the request of the executive directors - to establish criteria for the remuneration of the Company's senior managers, including any stock-option plans or allocations of shares, as well as any short and medium/long-term MBO bonuses.

In compliance with Application Criterion 6.C.5, the Compensation Committee periodically checks the criteria adopted for the remuneration of executives with strategic responsibilities, monitors their application based on information provided by the executive directors and makes general recommendations to the Board on this subject.

During the reporting period, the committee met twice (note that on 11 March 2020, the committee met in the prior composition to the current one, with member Campedelli rather than Zeme). For the approval of the Compensation report, the committee assessed that the remuneration policy adopted was appropriate and in line with the Issuer's requirements and structure. In addition, the committee examined the new principles introduced with the decree dated 10 May 2019 on the issue of remuneration. The average duration of the Committee meetings was an hour and a half. All members attended both meetings. Committee meetings are coordinated by the Chairman and have been properly minuted; the minutes have been recorded in the minute book.

Two meetings are scheduled for the 2021 period, of which one (3<sup>rd</sup> March 2021) has already taken place.

Further information about the Compensation Committee is provided in the relevant parts of the compensation report published pursuant to art. 123-ter, TUF.

## 9 REMUNERATION OF DIRECTORS

Information on this topic is provided in the relevant parts of the compensation report published pursuant to art. 123-ter, TUF.

We report that the Shareholders' Meeting held on 22 April 2020 authorized the total remuneration payable to the independent and non-executive directors. At the Board meeting held on 13 May 2020, acting on a proposal from the Compensation Committee supported by the Board of Statutory Auditors, the Board established the remuneration payable to each non-executive director, each executive director and each director with specific responsibilities.



## 10 RISKS CONTROL AND SUSTAINABILITY COMMITTEE

The Risks Control and Sustainability Committee comprises three non-executive directors, the majority of whom are independent. Its members are:

- Bettina Campedelli – Chair - Independent Director with experience in accounting and governance
- Roberto Lugano - Chair – non-executive director with expertise in accounting and financial matters
- Daniela Saitta – Independent director with expertise in accounting and finance

The committee has consulting functions and makes proposals to the Board of Directors regarding the internal risk management control system (SCIGR), which forms the complex of rules, procedures and organizational structures intended for effective identification, measurement, management and monitoring of risks for contributing to the company's sustainable success

The Committee supports the Board of Directors:

- (i) with the definition of guidelines for the SCIGR in line with the company strategies, so that the principal risks faced by the Issuer and its subsidiaries are properly identified and adequately measured, managed and monitored, as well as criteria for the compatibility of such risks with the healthy and proper management of the business;
- (ii) in collaboration with the General Manager (where the latter forms part of the Board of Directors and, if not, by the Chief Executive Officer), the person appointed by the Board of Directors to oversee the functionality of the SCIGR and to report promptly to the Committee regarding problems and critical issues arising in carrying out his activity or that he has become aware of, so that the Committee may take the appropriate actions;
- (iii) in performing an at least annual assessment of the adequacy of the SCIGR in terms of the business characteristics and profile of risk taken on, and for assessing its efficacy;
- (iv) in the appointment and termination of the Internal Auditor, the assessment of the adequacy of the resources assigned to the role, as well as evaluation of the annual schedule of work and the outcomes of periodic reports generated by the Internal Auditor;
- (v) in the assessment of the observations made by the legal auditor in the letter of recommendations, if any, and in the report on key audit matters identified during performance of the legal audit work;

- (vi) with the description, in the report on corporate governance, of the principal characteristics of the SCI GR and the method of coordination between the individuals involved in it, indicating the relevant models and best practices, where possible;
- (vii) with evaluation of the choices made in relation to the Supervisory Body, under 231/2001 and in assessing the reports it generates.

The Committee also:

- (i) assesses, together with the executive responsible for preparing the Company's accounting documentation and in consultation with the auditing firm, the proper application of accounting standards and their consistency for the purposes of preparing the consolidated financial statements, and the activities carried out in compliance with Law 262 of 2005;
- (ii) assesses the suitability of periodic, financial and non-financial information at providing the correct representation of the business model, the company strategies, the impact of its activities and performances achieved;
- (iii) evaluates the content of non-financial periodic information significant for the purposes of the SCI GR;
- (iv) expresses opinions on specific aspects relating to the identification of the principal company risks and supports the assessments and decisions of the board of directors regarding management of risks deriving from detrimental facts it has become aware of;
- (v) monitors the adequacy, effectiveness and efficiency of the internal audit function;
- (vi) reports to the Board, at least half-yearly, upon the approval of the financial statements and half-yearly report, the activities carried out by and the adequacy of the SCI GR;
- (vii) performs additional roles as they are attributed to the Board of Directors from time to time.
- (viii) The Committee, in its responsibility for sustainability, supports and consults the Board of Directors regarding activities and projects intended to protect the company's commitment to creating value over time for the body of shareholders and all stakeholders, over the long-medium term and according to the applicable principles of sustainable development.

The Risks Control and Sustainability Committee coordinates its work with the Board of Statutory Auditors and the internal control managers, reporting at least every six months to the Board at the time of approving the annual financial statements and the six-monthly report. The meetings of the Risks Control and Sustainability Committee are attended by the Chairman of the Board of Statutory Auditors or by another serving auditor designated by him.

The Board has also appointed an internal control manager, Annalisa Aldrovandi, who reports periodically to the I Risks Control and Sustainability Committee (and to the Board) about the work performed and helps the Committee to carry out its functions and duties.

During the reporting period, the Committee met six times (note that on 28 January and 11 March 2020, the Committee met in its prior composition, with member Bonfiglioli instead of Campedelli). The average duration of the meetings is an hour and a half. At least five meetings are planned for 2021 three of which (27 January, 15 February and 18 March) have already been held.

The committee meetings were properly minuted and recorded in the minute book.

All meetings were attended by the Issuer's Chairman of the Board of Statutory Auditors or by an authorized Serving Auditor.

The Risks Control and Sustainability Committee has right of access to the information and corporate functions necessary for the performance of its tasks, and may make use of external consultants, to the extent established by the Board (*Application Criterion 4.C.1.e*). If deemed necessary, the Committee may ask the Board to make available to it the financial resources deemed appropriate in order to perform its tasks.

The Committee has reported to the Board every six months on the work performed, as well as on the adequacy of the risk management and internal control system.

## 11 RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Issuer's Board is aware that the system of risk management must be considered together with the system of internal controls over the financial reporting process. The system of internal controls comprises all the operating procedures designed to ensure the credibility, accuracy, reliability and timeliness of financial information, via an appropriate process for the identification, measurement, management and monitoring of the principal risks. The methodology followed when developing the control model was based on the Co.So Report's model, accepted at an international level, and the guidelines issued by relevant associations (e.g. Andaf).

In order to identify the relevant business areas, the executive responsible made use of the risk assessment prepared by the internal control manager together with the Risks Control and Sustainability Committee. In particular, the risk management and internal control system comprises a set of rules, procedures and organizational structures that ensure the healthy and proper management of the business, consistent with the established objectives, via the adoption of appropriate procedures to identify, measure, manage and monitor the principal control risks. An effective risk management and internal control system is based on principles that require business activity to comply with the applicable internal and external regulations, and be traceable and documented, that require decision-making powers to be assigned and exercised in a manner commensurate the related levels of responsibility and the significance and/or importance of the underlying economic transactions, that require segregation between the persons who take or implement decisions, those who account for the transactions decided and those called upon to carry out the checks required by law and the system of internal controls, and that require confidentiality and compliance with the privacy regulations.

### **DESCRIPTION OF THE PRINCIPAL CHARACTERISTICS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM RELATING TO THE PROCESS OF FINANCIAL REPORTING**

#### **a. Steps in the risk management and internal control system relating to the process of financial reporting**

The model envisages the identification of risks that might compromise the effectiveness and efficiency of processes, the reliability of reported information and compliance with the applicable rules and regulations, as well as the identification of controls that mitigate these risks.

The risks identified in relation to financial reporting concern the following accounting assertions:

1. Existence: the assets and liabilities of the company exist at a given date. All recorded transactions took place during the period.
2. Completeness: all transactions and all accounts that should be included in the financial statements have been included.
3. Rights and Obligations: the assets are owned by the company and the liabilities reflects its obligations at a given date.
4. Accuracy and Validity: the assets, liabilities, revenues and costs reported in the financial statements are stated for their correct amounts in the appropriate accounts.
5. Presentation and Disclosure: the information presented in the financial statements is properly classified and described.

The key processes and related controls, devised with reference to the risks associated with the above accounting assertions, are documented using a risks/controls matrix prepared for the Issuer and other group companies of strategic significance, in order to identify and evaluate such controls. These matrices are used to identify any control weaknesses, in order to assess the need for additional checks designed to mitigate any risks that might prevent achievement of the reporting objectives.

The model envisages the performance of specific tests throughout the year to check that the parties concerned have actually applied the control procedures mentioned above.

The model envisages a flow of information between the various parties involved in the system of internal controls. This includes preparation of a document summarizing the results of the monitoring activities carried out during the year, and the action proposed to eliminate any weaknesses found.

#### **b. Roles and functions involved**

The system used for the management and control of financial information is managed by the Executive responsible for the preparation of accounting and corporate documentation. This person coordinates the various phases involved, such as planning, implementation, monitoring and updating.

In particular, the role and responsibilities of the Responsible Executive include internal verification of the proper functioning of the processes/accounting flows that are part of this person's operational responsibilities, the completeness and reliability of the information flows, and the adequacy and effective application of the related controls. The Responsible Executive checks all documents and information containing final accounting data relating to the economic and financial position.

The Responsible Executive is required to report periodically to the Risks Control and Sustainability Committee, the Board of Statutory Auditors and the Supervisory Board about the work performed to check the system of internal controls, and about the results of the assessment work carried out in support of the attestations and declarations made.

In particular, the Responsible Executive exchanges information, both formally and informally, with the Issuer's Risks Control and Sustainability Committee and Supervisory Board.

In this regard, the Issuer has appointed the Chief Financial Officer and General Manager of the group as the Responsible Executive. Given the position and role of this person, all appropriate operational and managerial powers have been granted to him, together with significant financial autonomy (see para. 11.6).

During the year, taking account of information received from the Risks Control and Sustainability Committee, the Board assessed the adequacy, effectiveness and proper functioning of the system of internal controls. This assessment was carried out by analyzing the results of the various checks performed to verify the credibility, accuracy, reliability and timeliness of financial information. No critical issues were identified.

The following parties implement the risk management and internal control system:

- the Board of Directors
- Risks Control Sustainability Committee
- the Chief Executive Officer, as the director responsible for supervising the functioning of the risk management and internal control system
- the Board of Statutory Auditors
- the Firm of Legal Auditors
- The Supervisory Body
- the Manager of the Health and Safety Function
- the Executive responsible for preparing the Issuer's accounting documentation
- the Internal Audit Manager

The Issuer's risk management and internal control system includes a system of risk governance that is properly managed and subjected to audit by both internal and external professionals:

- Risk assessment model complete with preliminary analysis of risks and mitigating actions relating to initiatives deemed to be of strategic significance in the context of the Issuer's strategic plan; the significance of risks, classified into categories and subcategories, is determined based on the probability of occurrence and the related economic and other impacts, including market share, competitive advantage and reputation; the assessment is made in terms of inherent risk, without considering the effect of mitigating actions, and after

considering the actions taken to reduce the probability that the risk event will occur and/or to limit its damaging impact;

- Investor Protection Model (Law 262/05) - regarding the organization, formalization and verification of the adequacy and functioning of the administrative-accounting procedures that underly the preparation of the corporate disclosures of the Issuer and the Group;
- Organization, Management and Control Model (Legislative Decree 231/01) - regarding the administrative responsibilities of legal persons;
- Occupational Health and Safety (Legislative Decree 81/2008), managed by specific professionals employed by the firm;
- Management of IT System Security. The system includes personal data protection controls (Reg. EU 679/2016 – “GDPR”).

Specific information flows have been implemented between the Board, General Management and the Supervisory and Control Bodies in order to communicate promptly any potential risk situations identified, as well as the outcome of the assessments and checks carried out by the responsible functions.

#### **11.1 DIRECTOR RESPONSIBLE FOR THE SYSTEM OF INTERNAL CONTROLS**

The Board has appointed an executive director responsible for supervising the functioning of the system of internal controls (*Application Criterion 7.P.3,a (i)*). The name of this director is Roberto Lugano. Working in coordination with the Internal Audit function, his task is to ensure identification of the principal business risks and operation of the risk management internal control system, having regard for the characteristics of the Group's activities, and to report any issues found to the Risks Control and Sustainability Committee and the Board.

The executive director responsible for the system of internal controls: (i) considering the nature of the activities of the Issuer and its subsidiaries, has identified the principal business risks and periodically drawn them to the attention of Board members after the close of Board meetings; (ii) has implemented the guidelines established by the Board, via the design, development and management of the system of internal controls and by checking its overall adequacy, efficiency and effectiveness; (iii) has adapted the system to changes in the legislative and regulatory background; (iv) has recommended to the Board the appointment of an internal control manager. He has full powers to request this manager to perform checks in specific operating areas and on compliance with internal rules and procedures for the conduct of business transactions, informing at the same time the Chairman of the Board, the Chairman of the Risks Control and Sustainability Committee and the Chairman of the Board of Statutory Auditors.

In addition, if he deems it necessary and/or appropriate, the above director may report on a timely basis to the Risks Control and Sustainability Committee (or the Board) on any problems and issues arising in the performance of his activities, or otherwise coming to his attention, so that the Risks Control and Sustainability Committee (or the Board) can take appropriate action. Since no problems or issues arose in the performance of his activities during 2020, the above director did not send any communications of this type to the Board or the Risks Control and Sustainability Committee.

## **11.2 INTERNAL AUDIT MANAGER**

The manager of the Issuer's internal audit function is Annalisa Aldrovandi. Ms Aldrovandi was appointed with the favorable opinion of the director responsible for the internal control system, the Risks Control and Sustainability Committee and on consultation with the Board of Statutory Auditors.

As manager of the internal audit function, her role is to oversee, on an ongoing basis and in relation to specific requirements, the adequacy and operation of the risk management and internal control system by implementing an audit plan approved by the Board of Directors following a structured analysis of the principal risks. The Internal Audit Manager has direct access to all the information needed in order to carry out his duties, which include:

- preparation of periodic reports containing adequate information about his activities, on the manner in which risks are managed, and on application of the plans defined for their containment; these periodic reports contain an assessment of the suitability of the risk management and internal control system;
- timely preparation of reports on events of particular significance;
- submission of the above reports to the Chairs of the Board of Statutory Auditors, the Control and Risks Committee and the Board of Directors, as well as to the director responsible for supervising the risk management and internal control system;
- checking, in the context of the audit plan, the reliability of IT systems and, in particular, the accounting systems.



During 2020, the Internal Audit Manager carried out the planned activities on an ongoing basis. These essentially included (i) the program of independent monitoring agreed with the Responsible Executive in the context of the Law 262 model (ii) the Audit Plan for 2020.

Based on the information obtained and the work performed, no significant anomalies have been identified and no significant indicators of internal control weaknesses have been found.

### **11.3 ORGANIZATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001**

Among the requirements for obtaining and maintaining STAR status, the Market Regulations envisage adoption of the organization, management and control model referred to in art. 6 of Legislative Decree 231/2001 (the "**Organizational Model**"). One of the effects of adopting the Organizational Model is to exclude sanctions against the entity if its senior management carry out certain types of illegal act, specified in the related Decree, in the interests of or for the benefit of the entity; such acts currently include corporate crimes and crimes involving market abuses (in addition to bribery and corruption, certain types of falsification, crimes related to terrorism and insurrection, and crimes against the individual).

The Organizational Model was presented to and approved by the Board on 28 March 2008 and is available on the Issuer's website: [www.aeffe.com/governance](http://www.aeffe.com/governance). The Model has been continually updated and supplemented, obtaining the approval of the Board of Directors (the latest on 5 August 2020) for the amendments and supplements deriving from the inclusion of the new crimes covered, specifically the tax crimes envisaged by Law 157/2019.

With the support and on the initiative of the Supervisory Body, which submits the Model to a continual process of review and also evaluates whether to appoint – for such activity – external specialist entities, the Issuer has effectively fulfilled the practical aspects and the phases of updating the Model.

More specifically, as the interventions for adaption and/or updating of the Model are carried out essentially for:

- legislative/regulatory innovation;
- violations of the Organizational Model or negative outcomes of audits of its efficacy;
- changes to the company's management structure;

In the Issuer's case, such intervention became necessary solely following the enactment of legislative amendments, with particular reference to the introduction of new categories of crimes covered, no violations of the Model having occurred. The Issuer also incorporated the recommendations sent, during its activity, by the Supervisory Body, amending the control protocols which are no longer fully compliant with the company organization, including in consideration of the company developments from 2015 (the year of the previous update of the Model) to today.

The intervention for the updating of the Model started from verification of the current status and updates of:

- Code of Ethics
- Mapping of risk activities
- Organizational model
- Internal procedures
- System of delegation and responsibilities
- Disciplinary system
- Staff training and information.

A definitive report addressed to the Board of Directors was prepared and delivered to all directors and auditors. It provided complete information regarding the phases and results obtained in the updating of the Model.

The updating and revision of the Organizational and management control model of the Issuer required by Legislative decree 231/01 was therefore concluded positively and effectively implemented, including in terms of progress over time.

The work to amend the Model included the performance of a risk assessment (mapping sensitive activities and establishing a risk profile for each offense identified) and analysis of the related results. In addition, checking procedures have been implemented to further mitigate the inherent initiation risk. Lastly, information is now provided to the Supervisory Body should function managers consider it necessary and/or appropriate to report anomalous situations.

The current Supervisory Body comprises Roberto Lugano, Carla Trotti and Stefano Di Biase. Pollini S.p.A. adopted its own organization, management and control model in 2014.

#### 11.4 Independent Auditors

The Firm of Legal Auditors appointed by the Issuer is “RIA Grant Thornton S.p.A.”, with registered offices at Corso Vercelli 40, Milan Milan Companies Register, Tax Code and VAT No. 02342440399 - Business Register No. 1965420, Register of Legal Auditors no. 157902, formerly recorded in CONSOB’s special register of auditing firms at no. 49. This appointment was granted on 13 April 2016 and will expire following the audit of the separate and consolidated financial statements as at 31 December 2024.

#### 11.5 EXECUTIVE RESPONSIBLE FOR PREPARING THE ISSUER'S ACCOUNTING DOCUMENTATION

The executive responsible for preparing the Issuer's accounting documentation is Marcello Tassinari, Executive Director of Aeffe and General Manager of the Aeffe Group.

The Articles of Association provide that the Board, having heard the required but not binding opinion of the Board of Statutory Auditors, appoints an executive responsible for preparing the Issuer's accounting documentation and fixes the related remuneration.

Persons who do not satisfy the following professional requirements cannot be appointed as Responsible executive and, if already appointed, their mandates lapse:

- (a) degree in economics, finance or business management and systems;
  - a. at least three years' experience in total of:
    - administration and control activities or senior management responsibilities within a limited liability company, or
    - administrative or management functions or appointments as auditor or consultant, such as registered accountant, for entities operating in the banking, financial and insurance sectors, or in any case sectors that are closely connected with and related to the activities of the company, that involved the management of economic - financial resources.

In addition, persons who do not satisfy the honorability requirements established in art. 147-quinquies of Legislative Decree No. 58 dated 24 February 1998 cannot be appointed as Responsible executive and, if already appointed, their mandate lapses.

If the Responsible executive ceases to serve, the Board arranges without delay to replace him by appointing a new Responsible executive, having heard the required but not binding opinion of the Board of Statutory Auditors. Termination of the employment relationship between the Responsible executive and the company is a reason for ceasing to serve.

The Responsible executive exercises the powers and performs the tasks attributed to him in accordance with the provisions of art. 154-bis of Legislative Decree no. 58 dated 24 February 1998, and the related enabling regulations. For this purpose, the Board has granted the Responsible executive adequate powers and resources to accomplish the tasks attributed to him.

The Responsible executive attends those Board meetings that envisage the discussion of matters relevant to his activities.

#### **11.6 COORDINATION BETWEEN PERSONS INVOLVED IN THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM**

The Issuer has not formalized methods of coordination between the various persons involved in the risk management and internal control system, since such persons have numerous opportunities to meet for information discussion both during and after (i) meetings of the audit committee (ii) meetings of the supervisory body (iii) meetings of the Board.

The Risks Control and Sustainability Committee keeps the Board of Statutory Auditors constantly informed and collaborates closely with it, not least by joint participation at the meetings of the Risks Control and Sustainability Committee.

## 12 DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

The Board adopts measures designed to ensure that transactions with related parties are carried out in a transparent manner and comply with the criteria requiring substantial and procedural propriety. A similar requirement is contained in art. 2391-bis of the Civil Code, under which the administrative bodies of companies that go to the market for risk capital must adopt specific internal regulations and procedures to govern transactions with related parties, including those conducted via their subsidiaries, thus ensuring their transparency and substantial and procedural propriety ("Procedure for Transactions with Related Parties").

The Board has adopted measures designed to ensure that transactions with related parties are carried out in a transparent manner and comply with the criteria requiring substantial and procedural propriety. A similar requirement is contained in art. 2391-bis of the Italian Civil Code, under which the administrative bodies of companies that make recourse to the market for risk capital must adopt specific internal regulations and procedures to govern transactions with related parties, including those conducted via their subsidiaries, thus ensuring their transparency and substantial and procedural propriety.

Consistent with the above requirements and those contained in Consob Regulation No. 17221 dated 12 March 2010, on 10 November 2010 the Issuer adopted a new procedure for related-party transactions that, in compliance with the above regulation, came into effect on 1 January 2011.

The procedure for related-party transactions covers the approach to be followed should the company enter into transactions with counterparts that are deemed to be "related parties".

In particular, the procedure governs Transactions involving Minor Amounts, Transactions of Greater Significance, Transactions of Lesser Significance, and Routine Transactions.

The text of the procedure governing transactions with related parties is available for consultation at the registered offices, on the website [www.aeffe.com](http://www.aeffe.com) and on the website of Borsa Italiana.

The procedure governing transactions with related parties has been given to all members of the Board of Directors.

With regard to transactions in which directors have a personal interest, the group applies the rules established by law, since these are considered by the Issuer to provide adequate protection for the group's interests. This is because art. 2391 c.c., applicable to the Issuer and the group's most significant subsidiaries, already requires (i) executive directors to abstain from promoting transactions that benefit third parties; and (ii) directors to inform the Board about all interests promoted by them when carrying out a given transaction.

### 13 APPOINTMENT OF STATUTORY AUDITORS

Principal 8.P.1 of the Code prescribes that Statutory auditors act with autonomy and independence, that they are appointed according to gender diversity criteria and that the Issuer provides measures for guaranteeing effective fulfillment of the roles of the Board of statutory auditors.

The Board of Statutory Auditors comprises three serving auditors and two alternate auditors. The statutory auditors remain in office for three financial years and their appointments expire on the date of the Meeting called to approve the financial statements for the final year of their mandate; they may be re-elected. With regard to the criteria and basis for the appointment of statutory auditors, art. 22 of the Articles of Association prescribes that the Board of statutory auditors comprises 3 (three) serving auditors. As at least two fifths of the members elected as serving auditors must belong to the least represented gender, with numbers rounded down to the lower number in the case of fractions. The Shareholders' meeting also appoints two alternate auditors, one of each gender. The appointments are made based on lists submitted by shareholders containing a number of candidates no greater than the maximum number of members to be elected.

Shareholders have the right to present lists if, alone or together with other shareholders, they represent at least 2.5% (two point five percent) of the shares with voting rights at ordinary meetings, or such different percentage of the company's share capital as is established by current and applicable laws and/or regulations. Each list must comprise two sections: one for the appointment of serving auditors and the other for the appointment of alternate auditors. Each list must comprise two sections: one for the appointment of serving auditors and the other for the appointment of alternate auditors. The candidates in each section must be listed with progressive numbers. Each candidate can appear on just one list, or will be ineligible for election. Lists which contain three or more candidates in both sections must ensure a gender balance, so that the least represented gender has the proportion prescribed by the legislation currently in force.

In accordance with the above-mentioned Principle 10.P.1 of the Code, the lists signed by the shareholders presenting them, or by the shareholder appointed to present them, and accompanied by the documentation required by the Articles of Association, must be filed at the registered offices at least 25 (twenty-five) days prior to the date fixed for the Meeting in first (or only) calling and published on the Issuer's website at least 21 (twenty-one) days prior to the date fixed for the Meeting in first (or only) calling. The following information must also be filed, together with each list, by the deadline indicated above: (i) declarations from each

candidate accepting their nomination and confirming, under their personal responsibility, the absence of reasons for which they would be ineligible or for which their appointment would lapse by law, and that they satisfy the honorability and professionalism requirements established by law and applicable to such appointments; (ii) complete information on their personal and professional characteristics (curriculum vitae); (iii) the list of appointments as director or auditor held by candidate statutory auditors in other companies or bodies, if relevant under current regulations to the limit on the total number of appointments allowed by the Articles of Association or by the current and applicable laws and/or regulations; (iv) the list of shareholders presenting the list, specifying their personal or company name, address, company registration number or similar and the total percentage of share capital held by them. Candidates must satisfy the requirements of eligibility, honorability and professionalism established by law, and must not hold a number of appointments as directors or auditors of other companies or entities that exceeds the maximum allowed by current and applicable laws and/or regulations.

If no lists are presented, the Shareholders' Meeting appoints the Board of Statutory Auditors and its Chairman in accordance with the majorities established by current legislation. If only one list is presented, the Board of Statutory Auditors is drawn entirely from that list and the first candidate on the list is appointed as Chairman.

If, on the other hand, two or more lists are presented, the Board of Statutory Auditors is appointed in the following manner:

- a) the following candidates will be appointed, in the numerical order in which they appear, from the list that obtains the majority of the votes cast by the shareholders: (i) the first two candidates for the office of serving auditor and (ii) the first candidate for the office of alternate auditor;
- b) the following candidates will be appointed, in the numerical order in which they appear, from the list that obtains the second-largest number of votes, on condition that such list is not linked, directly or indirectly, with the shareholders who presented or voted for the list that obtained the largest number of votes: (i) the first candidate for the office of serving auditor, who will also be appointed as Chairman of the Board of Statutory Auditors, and (ii) the first candidate for the office of alternate auditor, if available; otherwise, the alternate auditor will be the first candidate for this office on the first list obtaining the next-largest number of votes that is not linked, directly or indirectly, with the shareholders who presented or voted for the list that obtained the largest number of votes.



c) in the event of a voting tie between two or more lists, the candidates on the list presented by shareholders with the greatest total equity interest or, failing this, by the largest number of shareholders, will be elected.

If the composition of the Board of Statutory Auditors or the category of alternate auditors does comply with the gender balance criterion then, having regard for the order of listing in the respective sections, the candidates from the most represented gender elected last from the majority list shall be replaced by the first candidates not elected from the same list and the same section from the least represented gender. Application of this replacement procedure will continue until the composition of the Board of Statutory Auditors complies with the regulations in force at the time concerning gender balance.

The Board of Statutory Auditors monitors compliance with the law and the Articles of Association, and respect for the principles of proper administration including, in particular, the adequacy of the organization, administrative and accounting systems adopted by the Company and the way they function in practice, as well as how the corporate governance rules envisaged by the related regulations are applied in practical terms.

Lastly, the Articles of Association envisage that the Board of Statutory Auditors meets at least every ninety days at the request of any its members.

The mechanism of appointment using the list voting system ensures transparency and the provision of timely and adequate information on the personal and professional characteristics of the candidates.

The Shareholders' Meeting held on 22 April 2020 appointed the Board with reference to the list presented by Fratelli Ferretti Holding S.r.l. and IM Fashion S.r.l. (majority Shareholders) and the minority list presented jointly by Anima SGR S.p.A. manager of the following funds: Anima Crescita Italia, Anima Iniziativa Italia; Arca Fondi SGR S.p.A. manager of the funds: Arca Economia Reale Bilanciato Italia 30, Arca Economia Reale Italia, Arca Azioni Italia; Eurizon Capital SGR S.p.A. manager of the funds: Eurizon Progetto Italia 70, Eurizon PIR Italia Azioni); Fideuram Asset Management (Ireland) (manager of the fund: Fonditalia Equity Italy); Fideuram Investimenti SGR S.p.A. manager of the funds: Fideuram Italia, Piano Azioni Italia, Piano Bilanciato Italia 50, Piano Bilanciato Italia 30; Interfund Sicav Société d'Investissement comparto Interfund Equity Italy; Generali Investments Luxembourg S.A. gestore del fondo Generali Smart Funds Sicav; Mediolanum International Funds Limited gestore del fondo Challenge Funds – Challenge Italian Equity; Mediolanum Gestione Fondi SGR S.p.A. Manager of the funds Mediolanum Flessibile Futuro Italia and Mediolanum Flessibile Sviluppo Italia (“Minority Shareholders”).

The above lists, accompanied by the documentation specified in art. 15 of the Articles of Association, were filed at the registered offices and with Borsa Italiana within the time limits established by law and the Articles of Association.

They were also published on the Company's website during the twenty-one days prior to the Shareholders' Meeting.

List 1, presented by the Majority Shareholders indicated the following candidate members of the Board of Statutory Auditors:

Serving Auditors:

1. Fernando Ciotti
2. Carla Trotti
3. Alberto Pellicciardi

Alternate Auditors:

1. Nevio Dalla Valle
2. Roberta Dall'Apa

List 2, presented by the Majority Shareholders indicated the following candidate members of the Board of Statutory Auditors:

Serving Auditors:

1. Stefano Morri

Alternate Auditors:

1. Daniela Elvira Bruno

List 1, presented jointly by the Majority Shareholders received the favorable vote of 2 shareholders – specifically the shareholders Fratelli Ferretti Holding S.r.l. and I.M. Fashion S.r.l. in the amount of 66,347,690 (sixty-six million, three hundred forty-seven thousand, six hundred ninety) shares amounting to 88.864% (eighty-eight point eight six four percent) of the share capital represented at the Meeting.

Lista 2, presented jointly by the Minority Shareholders, received the favourable votes of 31 (thirty-one) shareholders for 8,314,350 (e8 million three hundred fourteen thousand, three hundred fifty) shares, specifically Anima Crescita Italia, Anima Iniziativa Italia; Arca Fondi SGR S.p.A. Arca Economia Reale Bilanciato Italia 30, Arca Economia Reale Italia, Arca Azioni Italia; Eurizon Progetto Italia 70, Eurizon PIR Italia Azioni; Fonditalia Equity Italy; Fideuram Investimenti SGR S.p.A. BNP Paris Equity Focus Italia, Fideuram Italia, Piano Azioni Italia, Piano Bilanciato Italia 50, Piano Bilanciato Italia 30; Interfund Sicav Société d'Investissement comparto Interfund Equity Italy; Generali Smart Funds Sicav; Challenge Funds – Challenge Italian Equity; Flessibile Sviluppo Italia, Highclere International Investors International

Smaller, BNPP Moderate Focus Italia, Generali Smart Fund Sicav, Ishares VII PLC, John Hancock Funds II International Small Company Fund., Lockheed Martin Corporation Master Retirement Trust, Government of Norway, Brighthouse F TR II – Brighthouse/Dim Int Small Company PTF, Challenge Funds- Challenge Italian Equity, American Century Trust – Avantis International Small Cap, the equivalent of 7.744% (seven point seven four four percent) of the share capital attending the Meeting.

Pursuant to art. 22.7 of the Articles of Association and having regard for the gender balance requirement, the Board of Statutory Auditors comprises the following members:

**Serving Auditors:**

1. Stefano Morri was appointed as Chairman of the Board of Statutory Auditors in accordance with the Articles of Association, being the first candidate serving auditor on the list obtaining the second largest number of votes and not associated, directly or indirectly, with the shareholders that presented and voted for the list that obtained the largest number of votes;
2. Fernando Ciotti
3. Carla Trotti

**Alternate Auditors:**

1. Nevio Dalla Valle
2. Daniela Elvira Bruno

The mandate of the current Board of Statutory Auditors expires on approval of the financial statements as at 31 December 2022.

## 14 COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

The current Board of Statutory Auditors comprises:

### **Serving Auditors:**

- Stefano Morri - Chairman of the Board of Statutory Auditors
- Fernando Ciotti
- Carla Trotti

### **Alternate Auditors:**

- Nevio Dalla Valle
- Daniela Elvira Bruno

The quorum required for the presentation of lists at the time of the most recent appointment of the Board of Statutory Auditors was 2.5% (two point five percent) of the shares with voting rights at ordinary meetings.

The list of appointments in other companies held by members of the Board of Statutory Auditors is attached to the report on their supervisory activities prepared by the Statutory Auditors pursuant to para. 1 of art. 153 TUF.

The personal and professional characteristics of each statutory auditor are indicated in the nominations presented by the shareholders, which are published on the website of the Company at the following webpage: <http://www.aeffe.com/>.

### **Diversity criteria and policies**

The company has adopted the statutory obligation to appoint members of its Board of statutory auditors according to the gender balance provisions. One third of the Board of statutory auditors comprises auditors of the less represented gender. The Company appoints professionals of great skill and experience, drawn from expert and famous professional practices and/or universities, as members of its controlling boards.

The Board of statutory auditors met 12 (twelve) times during the 2020 period. All meetings were held with the participation of all serving members in office.

The average duration of the meetings was 2 (two) hours and 31 (thirty-one) minutes.

For the present period the Board has scheduled 13 (thirteen) meetings, of which 2 (two) have already been held.

On 6 May 2020 the Board of statutory auditors verified the independence of its members, subsequently sending the Board of Directors a summary of the minutes of the meeting containing the criteria applied the outcome of verifications on 12 May 2020.

Each auditor, for their part, verified the absence of causes for non-electability, default or incompatibility, the absence of professional and commercial relationships with the company, with the group and associated senior employees, and compliance with the limit of accumulated roles established by the Issuers' Regulations.

Moreover each auditor individually acknowledged the negative outcome of his or her verification of the risk of compromised independence, deriving from specific activities, relationships and other circumstances subsequent to appointment, as indicated below:

- Risks deriving from personal interests
- Risks deriving from self-review
- Risks deriving from excessive familiarity, trust or confidentiality
- Risks deriving from intimidation

Mr. Fernando CIOTTI, holding the position of auditor within the group for more than nine of the last 12 years (criterion 3.1.C of the Code of self-regulation, referenced within Rule Q.1.4 of CNDCEC), also provided suitable justification regarding the absence of risks of familiarity, triggered by the additional, in-depth assessment he carried out.

Lastly, the auditor confirmed having considered in performing the program of risk assessment, all relationships and dealings undertaken with the company or with other companies of the group and with the senior managers of the same companies, as well as the absence of dealings and relationships undertaken with the company or with other companies of the group by the other individuals of his professional network.

The auditors confirmed having run sampling of the suitability of the remuneration of the board of control, considering the intense commitment of the role and also assessing the overall remuneration paid to non-executive directors of the company for the activities carried out both within the Board of Directors and the internal sub-committees. From the dialog held, the remuneration of the Board of statutory auditors was deemed to be adequate and proportional to the continual commitment of participating in meetings of the Board of Directors and the internal sub-committees.

The Board self assesses the suitability of its members, in terms of:

- Requirements of professionalism, competence and experience
- Requirements of independence in relation to the industry regulatory provisions
- Accumulation of roles in relation to the industry regulatory provisions
- Assessment of the operation of the board with reference to aspects concerning: convening meetings, participation and recording of meetings and managing follow-up activities, the content and timeliness of documents made available at the company offices on items

scheduled on the agenda and the quality of information received, participation of members in the meetings of the Board of statutory auditors, the coordination activities performed by the Chair of the board, the management of any actions to be undertaken following the verification activities performed;

- Assessment of the powers of the Board in performing the control functions
- Assessment of the availability of time agreed by the members in relation to the methods of implementing the role as planned
- Adequacy of the composition of the Board with reference to the balance of gender and age of the members, the operations of a fashion and luxury goods company, the knowledge of the markets and services provided by the Issuer, knowledge of industry regulation, methods of risk management and control and more generally, the internal controls system, knowledge of issues associated with governance and company organization, including with reference to the computer system, professional development activities.
  - Collaboration and interaction between the members of the Board
  - Adequacy and timeliness of information exchanged
  - Functionality and quality of information flows with the management boards and with the control divisions and roles
  - Exchange of information with the auditing firm
  - Remuneration

In reaching this determination, the Board of Statutory Auditors applied all the criteria set down in the Code.

The members of the Board of Statutory Auditors are subject to application of the Issuer's Procedure for Transactions with Related Parties, the contents of which are described in paras. 4.3 and 12 of the Report. Furthermore, should a member of the Board of Statutory Auditors have an interest in a transaction carried out by the Issuer, whether directly or indirectly, such person must provide complete and timely information to the other statutory auditors and to the Board, specifying the nature, terms, origin and extent of this interest.

At the meeting held on 30 March 2020, the Board of Statutory Auditors verified the independence of the external auditors, checking both compliance with current regulations and the nature and extent of any non-audit services provided to the Issuer and its subsidiaries by the external auditors and members of its network.

Lastly, in the performance of its duties, the Board of Statutory Auditors coordinated with the Risks Control and Sustainability Committee (whose meetings were attended by the Chairman of the Board of Statutory Auditors). The Chairman of the Board of Statutory Auditors, or a Serving Auditor authorized by the Chairman, attended all the meetings of the Risks Control and Sustainability Committee, verifying the effectiveness of the procedures adopted and contributing to the identification of the most sensitive areas within the company.

The remuneration of the Statutory Auditors is consistent with the work required, the importance of their role and the size and business sector of the Issuer.

## 15 RELATIONS WITH THE SHAREHOLDERS

The Issuer believes that it is in its specific interests – as well as a duty towards the market – to establish, right from the time of listing, an ongoing dialog with all shareholders based on a mutual understanding of the respective roles; this dialog must be carried forward in compliance with the procedures established for the external communication of business documents and information. Pursuant to para. 3.j) of art. 2.2.3 of the Market Regulations, the company has identified from among its employees a professionally-qualified person, Annalisa Aldrovandi, to serve as investor relations officer.

The Issuer has also created an easily found and accessible section on its website *www.aeffe.com* containing information about the Issuer that is relevant to shareholders, so they can exercise their rights in full knowledge.

Shareholders can also contact the Issuer's Corporate Secretariat for any help or clarification they may need relating to the exercise of their rights.

To fulfill the provisions of the new Code of self-regulation, a suitable reporting policy on shareholder relations will be adopted in 2021.



## 16 SHAREHOLDERS' MEETINGS

Shareholders' meetings are either ordinary or extraordinary, as defined by law.

Shareholders' Meetings are called at the registered offices or elsewhere in Italy by a notice published, within the timescales envisaged by current legislation, in a national daily newspaper.

The ordinary meeting is called whenever required by law and when deemed appropriate by the Board of Directors. The shareholders' meeting is also called by the Board of Directors at the request of shareholders representing at least 5% (five percent) of the share capital, to the extent allowed by the final paragraph of art. 2367 of the Italian Civil Code, or by the Board of Statutory Auditors, or by at least 2 (two) of its members.

The tasks and powers of the shareholders' meeting are those established by law.

During 2019, the shareholders who control the Issuer did not notify the public of any proposals that should have been presented to the shareholders' meeting regarding matters for which no specific proposals had been made by the directors.

### **Rights of shareholders and attendance at meetings**

In order to attend the shareholders' meeting, the Issuer must receive the communication from the authorized intermediary envisaged in art. 83-sexies, TUF. This communication must be received prior to the start of the session.

Ordinary and extraordinary meetings can be held in multiple locations, either adjoining or distant, that are linked by audio/video communications, on condition that the collegiate method and the principles of good faith and equal treatment for all shareholders are respected.

In particular, it is necessary that:

- (i) the Chairman of the Meeting, with support from the chairman's office or otherwise, is able to determine the identity and legitimacy of those attending, govern the conduct of the meeting, and determine and proclaim the results of voting;
- (ii) the person responsible for taking the minutes is able to follow adequately the meeting events to be minuted;
- (iii) those attending are able to take part in the discussions and in simultaneous voting on the matters on the agenda;
- (iv) the notice of meeting specifies the locations equipped with audio/video communications provided by the company, where shareholders may gather; the meeting will be deemed to be held in the location where both the Chairman and the person responsible for taking the minutes are present.

The shares requiring the communication specified in para. 2 of art. 2370 c.c. remain unavailable until the meeting has been held.

The shareholders who are entitled to attend the Meeting may be represented by another person, who need not be a shareholder, bearing a written proxy prepared in accordance with legal requirements. This proxy may be granted by electronic means, in the manner envisaged by the Ministry of Justice. The proxy may be notified to the company by certified e-mail at the address specified each time in the notice of meeting. The proxy form is available from the registered offices and from the Issuer's website [www.aeffe.com](http://www.aeffe.com) in the Italian section entitled *Documenti Societari*.

Pursuant to the law and art. 11 of the Articles of Association, shareholders are entitled to attend the Meeting and exercise their voting rights on presentation of a communication addressed to the Issuer by an authorized intermediary, as defined in the applicable regulations. This communication is released by the latter following reference to the accounting information recorded at the accounting close of the seventh trading day prior to the date fixed for the Meeting (so-called "**record date**"). Persons obtaining ownership of the shares subsequent to the **record date** are not entitled to attend the Meeting or to vote. Each shareholder may be represented at the Meeting by a person holding a written proxy, except in the cases of incompatibility and with the restrictions envisaged in current regulations. The Issuer's proxy form is available from the intermediaries authorized to issue the communication confirming the shareholder's right to attend the ordinary meeting, or from the company's website ([www.aeffe.com](http://www.aeffe.com)); it may also be obtained from the Corporate Secretariat of Aeffe S.p.A.. In addition, pursuant to the Articles of Association, each shareholder is entitled to notify proxies by e-mail sent to the Issuer's certified e-mail address. Proxyholders giving or sending the Issuer a copy of the proxy form must confirm, taking full personal responsibility, that it is a true copy of the original and also confirm the identity of the delegating shareholder. Without cost for the delegating shareholder, the proxy may be granted - with voting instructions for some or all items on the agenda - to the independent company specified by the Issuer in the notice of meeting as the representative designated by the company pursuant to art. 135-undecies of Decree No. 58/98, on condition that this company receives the original, sent by registered letter or certified e-mail, by the end of the second trading day before the date fixed for the meeting in first calling. Proxies given on this basis do not apply to proposed resolutions for which voting instructions are not given. Proxies and voting instructions may be revoked by the end of the second trading day before the date fixed for the meeting in first or sole calling.

Pursuant to art. 127-ter, TUF, shareholders may submit questions about items on the agenda prior to the meeting, by sending a registered letter or certified e-mail to the addresses specified in the notice of meeting.

Interested parties must provide the information needed to identify them. Questions are answered at the Meeting, at the latest, and the Issuer is entitled to give a combined reply to questions of a similar nature.

Pursuant to art. 126-bis, TUF, shareholders who, together or alone, hold at least one fortieth of the share capital may, within ten days of publication of the notice of meeting, request the addition of specific items to the agenda. This request must be presented in writing, sent by registered letter or certified e-mail to the addresses specified in the notice of meeting, on condition that it is received by the deadline stated above. By this deadline and in the same manner, the proposing shareholders must also present a report on the matters to be discussed at the meeting. Information about any additions to the agenda for the Meeting subsequent to receipt of the above requests will be provided, in the manner established for publishing notices of meetings, at least fifteen days prior to the date fixed for the meeting.

In addition to publishing the notice of amendment, the report prepared by the requesting shareholders must also be made available to the public at the same time, in the manner applicable to other meeting documentation, and accompanied by any related considerations made by the Board of Directors. Additions to the agenda are not allowed for matters that, by law, may only be voted on at the meeting following a recommendation from the directors, or based on a project or report prepared by them that is not included in those indicated in para. 1 of art. 125-ter, TUF.

### **Meeting and voting quorums**

The meeting and voting quorums specified in the Articles of Association of the Issuer are the same as those envisaged in current legislation.

### **Meeting Regulations**

By resolution of the Board meeting held on 26 March 2007, the Issuer adopted the text of the meeting regulations which are available for consultation in their entirety on the Issuer's website: [www.aeffe.com/governance](http://www.aeffe.com/governance). The meeting regulations establish rules of conduct at meetings intended to guarantee the right of each shareholder to speak on the matters under discussion.

In particular, shareholders intending to speak must apply to the Chairman after the agenda item relevant to the question has been read out and the discussion period has been opened, but before the Chairman declares discussion of that item to be closed. Requests are made by the raising of hands, unless the Chairman has called for written requests. In the case of hand raising, the Chairman gives the floor to the first person to raise a hand. If this cannot be determined with precision, the Chairman gives the floor in the order determined at his sole discretion. In the case of written requests, the Chairman gives the floor in the order that the

requests were recorded. The Chairman and/or, upon his invitation, the directors and the statutory auditors to the extent of their responsibilities or as deemed useful by the Chairman in relation to the matter discussed, reply immediately after each shareholder authorized to speak has spoken, or after all speakers on the matter discussed have spoken, as decided by the Chairman. Shareholders are entitled to speak just once in relation to each agenda item, except for any reply and declaration of voting intention, the duration of which may not exceed five minutes. Having regard for the nature and importance of each agenda item, the Chairman will specify the time available for each shareholder to speak. The duration will usually not be less than 5 (five) minutes or more than 10 (ten) minutes.

The Board reports to the Shareholders' Meeting on the work performed and that planned, and takes steps to ensure that shareholders obtain the information needed to adopt resolutions with full awareness of the matters concerned, via publication on the Issuer's website and filing at the registered offices and on the website of Borsa Italiana.

The Shareholders' Meeting held on 12 April 2018 was attended by 5 directors.

Each year, the Issuer makes available to the market and the shareholders a Compensation Report prepared pursuant to art. 123-ter TUF and in accordance with art. 84-quater of the Issuers' Regulation. This Report is approved by the Compensation Committee (whose functions are described in the Report on Corporate Governance) and, accordingly, the Chairman of the Compensation Committee has not considered it necessary to report to the shareholders on the way that the Committee functions.

There were no significant changes in the market capitalization of the Issuer's shares, or in the ownership of the Issuer, during the Year.

#### **17. ADDITIONAL ASPECTS OF CORPORATE GOVERNANCE**

There are no other aspects of corporate governance beyond those described in the Issuer's Report and those required by current legislation and regulations.

#### **18. CHANGES SUBSEQUENT TO YEAR END**

There have not been any significant changes subsequent to year end.

#### **19. OBSERVATIONS ON THE LETTER DATED 21 DECEMBER 2019 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

The Risks Control and Sustainability Committee assessed the considerations of the letter dated 21 December 2019 from the Chair of the Corporate Governance Committee of Borsa Italiana at the meeting of 28 January 2020, then reported his considerations to the Board of Directors meeting held on 29 January. The analysis reported to the Board concerned the following for the year 2020:

- The recommendation to the board of directors to integrate the assessment of the sustainability of the business activity in defining remuneration strategies and policy, based on an analysis of the significance of factors that many have an effect on the generation of value in the long term and the assessment of sustainability of the business activities and its capacity to pursue the creation of value in the long term for the benefit of shareholders, including in consideration of the interests of various other stakeholders significant for the company. On this issue it was deemed that in the specific case of the company, the continuity of business activity is not a topic that raises critical issues. In any case, the Committee will periodically issue information on the strategic model put in place by the company, proceeding were necessary to interview the executive directors (specifically the General Manager and Chairman of the Board of Directors, as well as the Chief Executive Officer) and accounted for the information received and verified in the Committee's half-yearly reports;
- The adequacy and the quality of information to the Board of Directors; the Corporate Governance Committee of Borsa Italiana in fact found that the adequacy of flows of information to boards of directors is still unsatisfactory in more than half of listed companies. More specifically, 75% of companies that adhere to the Code quantify precisely the notice that is normally deemed appropriate, but 27% of these companies do not however provide any information on effective compliance of the term previously indicated as appropriate; moreover, one third of companies that adhere to the Code provided generic reference for

reasons of confidentiality is an exemption to meeting the appropriate term. Therefore, the Corporate Governance Committee recommend companies provide adequate management of flows of information to the board of directors, ensuring that the requirements of confidentiality are protected without compromising the completeness, usability and timeliness of the information. With reference to the second recommendation, it was found that the information provided prior to meetings provided thus far by the Issuer, which includes documentation relating to the boards, generally with three days notice before each meeting is adequate.

- Robust and entire application of the criteria of independence recommended by the Code, the Corporate Governance Committee highlighted the continuing significant number of critical issues in the qualification of independent directors and the low quality of information provided by issuers, both with reference to the decision to depart from the criteria indicated by the Code and with reference to the overall quality of adherence to the independence model set out by the Code itself. The monitoring of the Corporate Governance Committee demonstrated the continuation of a significant number of such at-risk situations and the essentially customary situation of the decision of issuers simply not to apply or to apply it predominantly in substance over form in the individual cases, indicated in the Code, which have an effect or may have an effect on the independence of the director. Therefore, the Corporate Governance Committee invited the boards of directors to apply the criteria of independence defined by the Code with greater rigor and the boards of control to oversee the correct application of such criteria. As well as restating the exception and the necessary individual justification for derogating any criterion of independence recommended by the Code, the Corporate Governance Committee invites issuers to pay more attention to evaluation of the significance of the relationships assessed, defining a priori the quantitative and/or qualitative criteria to be used to assess the significance of the relationships under examination, which should regard the overall position, not limited to the mere financial benefit of the director whose independence is being assessed, and to find suitable transparent communication to the market in the corporate governance report. Therefore, it is found that the Issuer is still and has continually demonstrated adherence to the verification of the requirements of independence of directors indicated as independent. In each case, including by benefiting from the entry into force of the Code of self-regulation in January 2021,

and analysis will be repeated of the possible advance identification of the quantitative and/or quantitative criteria to be used to assess the significance of the relationships object to examination in the process of evaluating the independence of directors.

- The adequacy of remuneration paid to members of the management boards. Regarding this topic, it was verified that the salary of members of the management boards of the Issuer was established based on the relevant professional rates envisaged in article 29 of the MD no. 140 of 20 July 2012, and based on the survey of corporate governance of listed Italian companies published by Assonime. The payments voted in favor of the members of the management board, determined on such basis, therefore appear appropriate.

San Giovanni in Marignano, 18 March 2020

for the Board of Directors

The Chairman

*Massimo Ferretti*

## SUMMARY TABLES

**Table 1: Information on the ownership structure**

**Table 2: Share capital structure**

**Table 3: Structure of the Board of Directors and its committees**

**Table 4: Structure of the Board of Statutory Auditors**



**TABLE 1 - Information on the ownership structure**

<b>SIGNIFICANT INTERESTS IN SHARE CAPITAL</b>			
Declarant	Direct ownership	% of ordinary capital	% of voting capital
FRATELLI FERRETTI HOLDING	FRATELLI FERRETTI HOLDING	61.797	61.797
AEFFE S.P.A.	AEFFE SPA	6.787	6.787

**Table 2: Share capital structure**

<b>SHARE CAPITAL STRUCTURE</b>				
	<b>NO. OF SHARES</b>	<b>% OF SHARE CAPITAL</b>	<b>LISTED IN STAR SEGMENT</b>	<b>RIGHTS AND OBLIGATIONS</b>
ORDINARY SHARES	107,362,504	100%	107,362,504	RIGHTS AND OBLIGATIONS ASSOCIATED WITH ORDINARY SHARES
SHARES WITH MULTIPLE VOTING RIGHTS	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
SHARES WITH RESTRICTED VOTING RIGHTS	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
SHARE WITHOUT VOTING RIGHTS	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
OTHER	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE

**Table 3: Structure of the Board of Directors and its committees**

Board of Directors													CONTROL AND RISKS COMMITTEE		REMUNERATION COMMITTEE	
Position	Members	Year of birth	Date of first appointment *	In office from	In office until	List M/m**	Exec.	Non-exec.	Indep. per Code	Indep. per TUF	Number of other roles ***	(*)	(*)	(**)	(*)	(**)
Chairman	Massimo Ferretti	1956	16 July 1990	22 April 2020	Meeting to approve financial statements as at 31/12/2022	M	X				-	8/8	-	-	-	-
Deputy Chairman	Alberta Ferretti	1950	16 July 1990	22 April 2020	Meeting to approve financial statements as at 31/12/2022	M	X				-	4/8	-	-	-	-
Chief Executive Officer	Simone Badioli	1969	30 April 1993	22 April 2020	Meeting to approve financial statements as at 31/12/2022	M	X				-	8/8	-	-	-	-
General Director	Marcello Tassinari	1963	20th May 2005	22 April 2020	Meeting to approve financial statements as at 31/12/2022	M	X				-	8/8	-	-	-	-
Director	Marco Francesco Mazzù	1972	22 April 2020	22 April 2020	Meeting to approve financial statements as at 31/12/2022	m		X	X	X	-	5/5	-	-	-	-
Director●	Roberto Lugano	1959	23 May 2007	22 April 2020	Meeting to approve financial statements as at 31/12/2022	M		X		X	-	8/8	6/6	M	2/2	M
Director○	Daniela Saitta	1962	12 April 2017	22 April 2020	Meeting to approve financial statements as at 31/12/2022	M		X	X	X	1	8/8	6/6	M	2/2	P
Director	Bettina Campedelli	1962	14 May 2019	22 April 2020	Meeting to approve financial statements as at 31/12/2022	M		X	X	X	1	8/8	5/5 (from appointment on 6 May 2020)	P	-	M
Director	Michela Zeme	1969	22 April 2020	22 April 2020	Meeting to approve financial statements as at 31/12/2022	M		X	X	X	2	5/5	-	M	1/1 (from appointment on 6 May 2020)	M
<b>No. meetings held during the reporting period: 8</b>													5	2		
<i>For the directors Zeme and Mazzù the calculation is based on participation in Board meetings and Committees following their appointment on 22/4/20.</i>																
<b>-----DIRECTORS TERMINATED DURING THE REPORTING PERIOD-----</b>																
Director	Alessandro Bonfiglioli	1965	12 April 2017	12 April 2017	Meeting to approve financial statements as at 31/12/2019	M		X			-	2/2	2/2	M	M	1/1
<b>The quorum required for submitting lists by minorities for the election of one or more members is 2.5%</b>																

DURING THE 2020 PERIOD, FOLLOWING THE APPOINTMENT OF A NEW BOARD OF DIRECTORS, ALESSANDRO BONFIGLIOLI CEASED TO SERVE AS A DIRECTOR DURING 2020. THERE HAVE NOT BEEN ANY CHANGES IN THE COMPOSITION OF THE BOARD SINCE THE NEW BOARD WAS APPOINTED ON 22 APRIL 2020.

- this symbol indicates the director responsible for the risk management and internal control system.
- ◇ this symbol includes the person primarily responsible for the management of the Issuer (Chief Executive Officer or CEO)
- this symbol indicates the Lead Independent Director (LID)
- \* date of first appointment of each director means the date on which the director was appointed for the first time (ever) to the Board of Directors of the Issuer
- \*\* this column indicates the list from which each director was drawn (M= majority /m=minority)
- \*\*\* this column indicates the number of appointments as director or statutory auditor held by the person concerned in other companies listed on regulated markets
- (\*) this column indicates the attendance by the director at meetings of the Board of Directors and other Committees
- (\*\*) this column indicates the position of the director within the Committee: "P" chairman, "M" member.

**Table 4: Structure of the Board of Statutory Auditors**

BOARD OF STATUTORY AUDITORS									
Position	Members	Year of birth	Date of first appointment *	In office from	In office until	List M/m**	Indep. per Code	Participation in meetings of the Board	No. other appointments ***
Chairman	Stefano Morri	1959	22 April 2020	22 April 2020	Meeting to approve financial statements as at 31/12/2022	m	X	8/8 (from appointment on 22 May 2020)	-
Serving Auditor	Fernando Ciotti	1956	29 April 2008	22 April 2020	Meeting to approve financial statements as at 31/12/2022	M	X	12/12	-
Serving Auditor	Carla Trotti	1969	12 April 2017	22 April 2020	Meeting to approve financial statements as at 31/12/2022	M	X	12/12	-
Alternate Auditor	Nevio Dalla Valle	1963	12 April 2017	22 April 2020	Meeting to approve financial statements as at 31/12/2022	M	X	-	-
Alternate Auditor	Daniela Elvira Bruno	1969	12 April 2017	22 April 2020	Meeting to approve financial statements as at 31/12/2022	m	X	-	1
No. meetings held during the reporting period: 12									
The quorum required for submitting lists by minorities for the election of one or more members is 2.5%									
<b>THERE WERE NO TERMINATIONS OF OFFICES HELD DURING THE REPORTING PERIOD.</b>									

\* date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the first time (ever) to the Board of Statutory Auditors of the Issuer

\*\* this column indicates the list from which each director was drawn (M= majority /m=minority)

\*\*\* this column indicates the number of appointments as director or statutory auditor held by the person concerned in other companies listed on regulated markets

(\*) this column indicates the attendance by the director at meetings of the Board of Directors and other Committees

(\*\*) this column indicates the position of the director within the Committee: “P” chairman, “M” member.