

*Courtesy Translation. In any case of discrepancy, the Italian text prevails.*

**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: 2022

Date of approval of the Report: 15th March 2023

## CONTENTS

<b>CONTENTS</b>	2
<b>GLOSSARY</b>	4
<b>1. PROFILE OF THE ISSUER</b>	5
<b>2. INFORMATION ON THE OWNERSHIP STRUCTURE (pursuant to art. 123-bis, TUF)</b>	7
a) share capital structure (para. 1.a) of art. 123-bis, TUF)	7
b) restrictions on the transfer of securities (para. 1.b) of art. 123-bis, TUF)	7
c) significant interests in share capital (para. 1.c) of art. 123-bis, TUF)	7
d) securities carrying special rights (para. 1.d) of art. 123-bis, TUF)	8
e) shares owned by employees: exercise of voting rights (para. 1.e) of art. 123-bis, TUF)	8
f) restrictions on voting rights (para. 1.f) of art. 123-bis, TUF)	8
g) shareholders' agreements (para. 1.g) of art. 123-bis, TUF)	8
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)	8
i) mandates to increase share capital and authorization to purchase treasury shares (para. 1.m) of art. 123-bis, TUF)	8
j) management and coordination activities (art. 2498 et seq. c.c.)	9
<b>3. COMPLIANCE (para. 2.a) of art. 123-bis, TUF)</b>	10
<b>4. BOARD OF DIRECTORS</b>	11
4.1 ROLE OF THE BOARD OF DIRECTORS	11
4.2 APPOINTMENT AND REPLACEMENT (PARA. 1.L) OF ART. 123-BIS, TUF)	12
4.3 COMPOSITION OF THE BOARD OF DIRECTORS (PARA. 2, LETTERS D) AND D-BIS) OF ART. 123-BIS, TUF)	16
4.4 FUNCTIONING OF THE BOARD OF DIRECTORS	19
4.5 ROLE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS	20
4.6 EXECUTIVE DIRECTORS	21
4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTOR	25
<b>5. DEALING WITH CORPORATE INFORMATION</b>	28
<b>6. BOARD COMMITTEES (para. 2.d) of art. 123-bis, TUF)</b>	29
<b>7. SELF-ASSESSMENT OF DIRECTORS AND SUCCESSION - APPOINTMENTS COMMITTEE</b>	29
7.1 SELF-ASSESSMENT OF DIRECTORS AND SUCCESSION	29
7.2 APPOINTMENTS COMMITTEE	32

<b>8. REMUNERATION OF DIRECTORS - COMPENSATION COMMITTEE</b>	<b>34</b>
8.1 REMUNERATION OF DIRECTORS	33
8.2 COMPENSATION COMMITTEE	33
<b>9. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM CONTROL, RISKS AND SUSTAINABILITY COMMITTEE</b>	<b>34</b>
9.1 CHIEF EXECUTIVE OFFICER	35
9.2 CONTROL, RISKS AND SUSTAINABILITY COMMITTEE	35
9.3 INTERNAL AUDIT MANAGER	37
9.4 ORGANIZATIONAL MODEL, DECREE 231/2001	38
9.5 INDEPENDENT AUDITORS	38
9.6 EXECUTIVE RESPONSIBLE FOR PREPARING THE ISSUER'S ACCOUNTING DOCUMENTATION AND OTHER ROLE AND BUSINESS FUNCTIONS	39
9.7 COORDINATION AMONG PERSONS INVOLVED IN THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT	40
<b>10. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES</b>	<b>42</b>
<b>11. BOARD OF STATUTORY AUDITORS</b>	<b>43</b>
11.1 APPOINTMENT AND REPLACEMENT	43
11.2 COMPOSITION AND FUNCTIONING (PARA. 2, LETTERS E), D) AND D)-BIS OF ART. 123-BIS, TUF)	47
<b>12. RELATIONS WITH SHAREHOLDERS</b>	<b>50</b>
<b>13. SHAREHOLDERS' MEETINGS (para. 2.c) of art. 123-bis, TUF)</b>	<b>52</b>
<b>14. FURTHER CORPORATE GOVERNANCE ACTIVITIES (para. 2.a) of art. 123-bis, TUF)</b>	<b>55</b>
<b>15. CHANGES SUBSEQUENT TO YEAR END</b>	<b>55</b>
<b>16. COMMENTS ON THE LETTER FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE</b>	<b>55</b>
<b>TABLES</b>	
TABLE 1: INFORMATION ABOUT THE OWNERSHIP STRUCTURE AT 17/03/22	57
TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS	59
TABLE 3: STRUCTURE OF THE BOARD COMMITTEES	61
TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS	62

*Courtesy Translation. In any case of discrepancy, the Italian text prevails.*

## GLOSSARY

**Code/Corporate Governance Code:** the Corporate Governance Code approved in January 2020 by the Corporate Governance Committee

**Cod. civ./ c.c.:** the Italian Civil Code.

**Committee/CG Committee/Corporate Governance Committee:** the Italian Committee for the Corporate Governance of listed companies promoted by, in addition to Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

**Board:** the Issuer's Board of Directors.

**Issuer:** the issuer of securities to which the Report relates: 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.

**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.

**Consob's Related Parties Regulation:** the Regulation governing transactions with related parties approved by Consob Resolution no. 17221 dated 12th March 2010 (as subsequently amended).

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

**Remuneration Report:** the report on remuneration policies and compensation paid that companies are required to prepare and publish pursuant to arts. 123-*ter* and 84-*quater* of Consob's Issuers' Regulation.

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

Unless specified otherwise, reference is also made to the definitions contained in the CG Code for: **directors, executive directors** [see *Q. Def. (1) and Q. Def. (2)*], **independent directors, significant shareholder, chief executive officer (CEO), administrative body, control body, business plan, company with concentrated ownership, large company, sustainable success, top management.**

**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

## **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 and Moschino, 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-brand 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 Corporate Governance Code.

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 Corporate Governance Code 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 specific role of the Board of Directors is described in Section 4.1 of this Report.

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

***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

The Issuer is qualified as an SME according to the meaning of article 1(1) *w-quarter*1) of TUF and art. 2-*ter* of Consob's Issuers' Regulation and is also indicated as such on the Consob website.

The Issuer satisfies the Code definition for a "company that is not large with concentrated ownership".

Courtesy Translation. In any case of discrepancy, the Italian text prevails.

## 2. INFORMATION ON THE OWNERSHIP STRUCTURE (ART. 123-BIS, TUF)

### (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.

SHARE CAPITAL STRUCTURE				
	NO. OF SHARES	% OF SHARE CAPITAL	LISTED IN STAR SEGMENT	RIGHTS AND OBLIGATIONS
ORDINARY SHARES (increased voting rights not envisaged)	107,362,504	100%	107,362,504	RIGHTS AND OBLIGATIONS ASSOCIATED WITH ORDINARY SHARES
PREFERENCE SHARES	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
SHARES WITH MULTIPLE VOTING RIGHTS	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
OTHER CATEGORIES OF SHARE WITH VOTING RIGHTS	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
SAVINGS SHARES	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
CONVERTIBLE SAVINGS SHARES	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
OTHER CATEGORIES OF 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 15th March 2023. As the Issuer is an SME pursuant to art. 120 TUF, only significant interests greater than 5% of the share capital are indicated.

Courtesy Translation. In any case of discrepancy, the Italian text prevails.

<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	8.325	8.325

**(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 3rd March 2008, 18th April 2019 and 28th April 2021, the Issuer has purchased and currently owns 8,937,519 treasury shares, representing 8.325% of share capital.



**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

**(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 the share capital. 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.

\*\*\*

The information required by para. 1.i) of art. 123-*bis*, TUF, is presented in the remuneration report published pursuant to art. 123-*ter*, TUF, while that required by para. 1.l) first part, of art. 123-*bis*, TUF, is presented in the section of the Report relating to the Board of Directors and that required by para. 1.l) second part, of art. 123-*bis*, TUF, is presented in the section of the Report relating to the Shareholders' Meeting.

***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

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

The Issuer has adopted the CG 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/2020/pdf>).

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.

*Courtesy Translation. In any case of discrepancy, the Italian text prevails.*

**ESSENTIAL INFORMATION IN SUMMARY FORM INDICATING THE COMPLIANCE TO OR DISAPPLICATION OF SPECIFIC CODE RECOMMENDATION**

<b>Issuer's Compliance with Codes of Conduct</b>	The Issuer has adopted the Corporate Governance Code of Borsa Italiana (the "CG")
<b>Role of the Board of Directors</b> Principles I, II, III, IV of CG Raccomandazioni 1 c, d,e,f, of CG Recommendation 2 of CG Recommendation 3 of CG	Applied by the Issuer Section 4.1 of Report on Corporate Governance Section 8 of Report on Corporate Governance Section 9 of Report on Corporate Governance
<b>Composition of the Board of Directors</b> Principles V, VI e VII of CG Recommendation 8 of CG	Applied by the Issuer Section 4.3 of Report on Corporate Governance
Recommendation 15 of CG	Not Applied by the Issuer  Section 4.3 of Report, para. "Maximum number of appointments held in other companies".
Recommendation 5 of CG Recommendation 6 of CG Recommendation 7 of CG Recommendation 10 of CG	Applied by the Issuer Section 4.7 of Report on Corporate Governance
Recommendation 13 of CG	Applied by the Issuer Section 4.7 of Report on Corporate Governance, para. "Lead Independent Director"
<b>Functioning of the Board of Directors</b> Principle IX of CG Recommendation 11 of CG	Applied by the Issuer Section 4.4 of Report on Corporate Governance
<b>Board of Directors activities and availability demonstrated by each Director</b> Principle XII of CG	Applied by the Issuer Section 4.4 of Report on Corporate Governance e Table 2
<b>Role of President of the Boards of Directors</b> Principle X of CG Recommendation 3 of CG Recommendation 4 of CG Recommendation 12, b, c, d, e of CG; Recommendation 18 of CG	Applied by the Issuer Section 4.58-9 of Report on Corporate Governance Section 4.6 of Report on Corporate Governance Table 3 8-9 of Report on Corporate Governance

*Courtesy Translation. In any case of discrepancy, the Italian text prevails.*

<b>Management of Company Information</b> Recommendation 1, f of CG	Applied by the Issuer Section 5 of Report on Corporate Governance
<b>Committees internal to the Board</b> Principle XI of CG- Recommendation 1, f of CG Recommendation 16 of CG Recommendation 17 of CG	Applied by the Issuer Section 4.1 of Report on Corporate Governance Section 6 of Report on Corporate Governance
<b>Self-Assessment of Directors</b> Principle XIV of CG Recommendation 21 of CG Recommendation 22 of CG Recommendation 23 of CG	Applied by the Issuer Section 7.1 of Report on Corporate Governance
<b>Succession of Directors</b> Principle XIV of CG	At today, not yet applied by the Issuer but under application Section 7.2 of Report on Corporate Governance
<b>Nomination Committee</b> Recommendation 16 of CG	Not Applied by the Issuer Section 7.2 of Report on Corporate Governance
<b>Directors Remuneration</b> Principle XV of CG Principle XVI of CG Principle XVII of CG Recommendation 27 of CG Recommendation 28 of CG Recommendation 29 of CG Recommendation 31 of CG	Applied by the Issuer Section 8.1 of Report on Corporate Governance Remuneration Report pursuant art. 123-ter of TUF
<b>Remuneration Committee</b> Recommendation 7 of CG Recommendation 11 of CG Recommendation 16 of CG Recommendation 17 of CG Recommendation 25 a, b, c, d of CG Recommendation 26 of CG	Applied by the Issuer Section 8.2 of Report on Corporate Governance Table 3 of Report on Corporate Governance
<b>Internal Control and Risk Management System- Control and Risk Committee</b> Principle XVIII of CG Principle XIX of CG  <b>Control and Risk Committee</b> Recommendation 7 of CG Recommendation 16 of CG	Applied by the Issuer Section 9 of Report on Corporate Governance Section 9.1 of Report on Corporate Governance

*Courtesy Translation. In any case of discrepancy, the Italian text prevails.*

<p>Recommendation 17 of CG Recommendation 33 of CG Recommendation 35 of CG</p> <p><b>Chief Executive Officer</b> Recommendation 32 of CG Recommendation 33, a,g of CG Recommendation 34 a, b, c, d of CG</p> <p><b>Internal Audit Function Manager</b> Recommendation 32,d of CG Recommendation 33,b of CG Recommendation 36 of CG</p> <p><b>Organization, Management and Control Model pursuant to Decree 231/01</b> Recommendation 33,e of CG</p> <p><b>Independent Auditors</b> Recommendation 33,f of CG</p> <p><b>Executive responsible for preparing financial and corporate documentation</b> Recommendation 32,e of CG</p>	<p>Section 9.2 of Report on Corporate Governance</p> <p>Section 9.3 of Report on Corporate Governance</p> <p>Section 9.4 of Report on Corporate Governance</p> <p>Section 9.5 of Report on Corporate Governance</p> <p>Section 9.6 of Report on Corporate Governance</p>
<p><b>Coordination between persons involved in the system of internal control and risk management</b> Principle XX of CG Recommendation 37 of CG</p>	<p>Not applied by the Issuer Section 9.7 of Report on Corporate Governance</p>
<p><b>Directors' Interests and Transactions with Related Parties</b> Recommendation 11 of CG Recommendation 17 of CG</p>	<p>Applied by the Issuer Section 10 of Report on Corporate Governance</p>
<p><b>Board of Statutory Auditors</b> Principle VIII of CG Recommendation 6 of CG Recommendation 7 of CG Recommendation 8 of CG Recommendation 9 of CG Recommendation 10 of CG Recommendation 37 of CG</p>	<p>Applied by the Issuer Section 11 of Report on Corporate Governance</p>
<p><b>Relations with Shareholders</b> <b>Shareholders Meetings</b> Recommendation 2 of CG Recommendation 3 of CG</p>	<p>Applied by the Issuer Section 12 of Report on Corporate Governance Section 13 of Report on Corporate Governance</p>

**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

## **4. BOARD OF DIRECTORS**

### **4.1 ROLE OF THE BOARD OF DIRECTORS**

In practice, the Board of Directors interprets its lead role in guiding the activities of the Issuer in a manner intended to achieve sustainable success for the Company (which means creating long-term value for the shareholders, having regard for the interests of other significant stakeholders), not only by including sustainability among the core strategies, but also - as indicated in Sections 8 and 9 - by addressing remuneration policies and the system of internal control and risk management.

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 Recommendation 1 of the Code, the Board has sole responsibility for:

- analyzing topics deemed significant for the generation of long-term value, with support as necessary from a committee whose composition and functions is determined by the Board;
- monitoring periodically implementation of the business plan and assessing the general results of operations, while also comparing periodically the results achieved against budget;
- defining the nature and level of the risks accepted, compatible with the strategic objectives of the Company, and considering all elements that may be significant for the achievement of sustainable success by the Company;
- defining the system of corporate governance of the Company and the structure of the Group that it leads, and assessing the adequacy of the organization, administration and accounting systems of the Company and its subsidiaries with strategic importance, with particular reference to the risk management and internal control system;
- resolving on those transactions of the Company and its subsidiaries that have strategic, economic, financial or cash flow significance for the Company;
- defining general criteria for the identification of significant transactions;
- in order to ensure the proper management of corporate information, adopting - based on a proposal from the Chairman agreed with the Chief Executive Officer - a procedure for the internal management and external communication of documents and information about the Company, with particular reference to privileged information.

***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

As envisaged in art. 19.2 of the Articles of Association and pursuant to art. 150 of Legislative Decree No. 58 dated 24th 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 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 performing its duties, the Board of Directors is assisted by the Executive Committee, which provides strategic guidance and coordinates carefully the activities of all Group companies. The role and responsibilities of the Executive Committee are described in the related subsection of Section 4.6 below.

With regard to the internal administration and external communication of documents and information about the Issuer, especially privileged information, the Company has adopted a Code on Internal Dealing whose requirements are described in Section 5.

In view of the size and characteristics of the Company and its inclusion in the STAR segment of Borsa Italiana, the Board does not consider it necessary or appropriate to prepare and present reasoned proposals to the Shareholders' Meeting for the definition of a system of corporate governance even more tailored to the needs of the business, but has arranged for the Company to adopt - with effect from 30th July 2021 - a suitable policy for managing dialog with the shareholder group. The Issuer maintains an open relationship with all stakeholders; through its Investor Relator and its CEO, during the road shows organized by the analysts, it provides investors with all the information requested; the completeness of the information transmitted to stakeholders and shareholders is demonstrated by the fact that, in 2022 year, the Issuer did not receive requests for further study, integration, further dialogue from the relevant stakeholders.

The other duties assigned to the Board, regarding its composition, functioning, appointment and self-assessment; remuneration policy, and the system of internal control and risk management, are discussed respectively in Sections 4.3, 6, 8.2, 9 and 9.2 of this Report.

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

Pursuant to art. 14 of the Articles of Association, amended on 25th February 2020 following the entry into force of Law no. 157 of 19th 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 24th February 1998.

***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

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 22nd April 2020, terminates on approval of the financial statements as at 31st December 2022; the Shareholders' Meeting called for 27th April 2023 is therefore required to appoint the members of the new Board of Directors

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 24th 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 24th February 1998, as amended. In addition to each list, the following information must be filed at the registered offices by the above deadline:



***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

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 24th 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 24th February 1998, as amended, and/or their suitability to serve as an independent director pursuant to the Corporate Governance Code prepared by the Committee for the Corporate Governance of Listed Companies promoted 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 24th 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:

***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

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.

The outgoing Board of Directors is not entitled to present a list.

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

**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

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.

Information about the role of the Board of Directors and the Board committees in the appointment, self-assessment and succession of Directors is provided in Section 7.

#### **4.3 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 22nd 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"; later, on 15th December 2020, IM Fashion S.r.l. was absorbed by Fratelli Ferretti Holding S.r.l.) and the minority list presented by Anima SGR S.p.A., manager of the 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 segment Interfund Equity Italy; Generali Investments Luxembourg S.A. manager of Generali Smart Funds Sicav; Mediolanum International Funds Limited manager of Challenge Funds – Challenge Italian Equity; Mediolanum Gestione Fondi SGR S.p.A. manager of 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.

**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

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 and ninety) shares amounting to 88.864% (eighty-eight point eight six four percent) of the share capital represented at the Meeting.

List 2, presented jointly by the Minority Shareholders, received the favorable votes of 31 (thirty-one) shareholders for 8,314,350 (eight million three hundred fourteen thousand, three hundred and 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, AQR Funds – AQR Multi Assets Funds, Alaska Permanent Fund Corporation, Oregon Public Employees Retirement System, DFA International Small Cap Value PNS Group Inc, Florida Retirement System - the equivalent of 7.744% (seven point seven four four percent) of the share capital represented at 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:

**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

1. Massimo Ferretti
2. Alberta Ferretti
3. Simone Badioli
4. Marcello Tassinari<sup>1</sup> (replaced on 17th December 2021 by Giancarlo Galeone)
5. Roberto Lugano
6. Daniela Saitta
7. Bettina Campedelli
8. Michela Zeme<sup>2</sup> (replaced on 17th March 2022 by Francesca Pace)
9. Marco Francesco Mazzù.

Roberto Lugano, Daniela Saitta, Bettina Campedelli, Michela Zeme and 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: <https://aeffe.com/it/organi-sociali/>.

Marcello Tassinari resigned from the Board of Directors on 17th December 2021 and, on the same date, the Board co-opted Giancarlo Galeone as an Executive Director of the Company. Later, Michela Zeme resigned with effect from 17th March 2022. Accordingly, on the same date, the Board co-opted Francesca Pace as an Independent Director.

The Shareholders' Meeting held on 28th April 2022 confirmed the appointments of both Directors indicated above.

#### **DIVERSITY CRITERIA AND POLICIES FOR THE COMPOSITION OF THE BOARD AND WITHIN THE ORGANIZATION**

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 19th 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 the Code for the composition of the Board of Directors and the Board of Statutory Auditors.

The Issuer encourages the dissemination, promotion and defense of a culture of gender diversity and guaranteed equal opportunities for all employees.

---

<sup>1</sup> Marcello Tassinari resigned as a Director of the Company on 17th December 2021.

<sup>2</sup> Michela Zeme resigned as a Director of the Company with effect from 17th March 2022.

**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

See the section on “Personnel, Diversity and Inclusivity” in the Non-Financial Statement of the Issuer (page 30 et seq.) for a detailed description of the actions taken in this regard.

**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.

**4.4 ROLE OF THE BOARD OF DIRECTORS (PARA. 2.D) OF ART. 123-BIS, TUF)**

The Board of Directors adopted the “Regulation for the functioning of the Board of Directors” on 16th June 2021. This establishes rules for the functioning of the Board of Directors, including the minuting of meetings and the procedures for providing information to the Directors.

In particular, the Regulation, available at the institutional website of the Issuer <https://aeffe.com/it/statuto-procedure-e-regolamenti-societari/>, describes the functioning of the Board and governs the conduct of meetings; illustrates the composition and duties of Board committees and the Lead Independent Director, establishes its responsibilities and powers; specifies the minimum number of meetings, the procedures for calling them, the deadlines for the transmission of pre-meeting documentation, clarifying that “ahead of each Board meeting, the Chairman, assisted by the Secretary, arranges to give the Directors and Statutory Auditors all the information needed to express an informed opinion on the matters to be discussed. The documentation to be examined by the Board is sent in good time and at least two days prior to that fixed for the meeting, unless this is not possible for specific reasons that must be explained by the Chairman at the start of business: in that case, the documentation is provided as soon as it becomes available. If deemed appropriate by the Chairman, in exceptional cases justified by the urgency explained at the start of business, the documentation may be provided directly during the meeting; in that case, the Chairman or a director designated by him will arrange to provide all necessary clarifications and explanations during the session. The information provided is supplemented and, when deemed appropriate, replaced by that explained during the session, thus ensuring that the directors make informed decisions.”

In 2022, the documentation relating to the items on the agenda of the Boards of Directors was sent in advance as indicated in the table below.

<b>BOARD DATE</b>	<b>DATE IN WHICH THE DOCUMENTATION CONCERNING THE BOARD HAS BEEN SENT TO DIRECTORS AND STATUTORY AUDITORS</b>
27 January 2022	25 January 2022
17 March 2022	14 March and 15 March 2022 (two tranches)
28 April 2022	22 April 2022
12 May 2022	9 May 2022
28 June 2022	Merger Decision- same documents of the Board of 28 April- sent again on 15 June 2022
28 July 2022	26 July 2022
10 November 2022	8 November 2022

The discussions, the resolutions adopted and any dissent or contrary votes cast by the directors must be documented in minutes, prepared in Italian, and signed by the Meeting Chairman and the Meeting Secretary. The minutes of each meeting are transcribed into the formal Minute Book,

***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

which is available to the directors and the members of the Board of Statutory Auditors upon request.

The Board met seven (7) times during the year. The percentage attended by each Director and the average duration of Board meetings are indicated in Table 2, presented at the end of this Report.

At least five Board meetings are planned for 2023, two of which (26th January and 15th March) have already been held.

In compliance with the Corporate Governance Code, 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.

#### **4.5 ROLE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS**

The Chairman of the Board of Directors coordinates the executive and non-executive Directors and ensure the effective conduct of Board business. The Chairman is available at all times to provide any clarification needed by Directors or to receive their proposals, arranging to include suggestions or matters raised on the agenda for Board meetings and, if necessary and appropriate, to call a special Board meeting.

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 2 days beforehand.

During Board meetings, the Chairman introduces each individual item on the agenda with, if necessary, assistance from the Chief Executive Officer. 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.

When necessary and requested by the Board for an in-depth and/or technical analysis of matters on the agenda, the Chairman arranges to invite the executives or managers responsible for relevant Issuer functions to Board meetings, so they can provide the necessary clarification. For example, the CFO and, when necessary, the Manager of the Management Accounting Office would attend the Board meeting called to examine the budget; the Group legal function would attend Board meetings called to decide on major acquisitions (e.g. purchase of a 30% interest in Moschino S.p.A.).

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 Corporate Governance Code and with a view



***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

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 informal meetings with the Directors at the time of Board and Shareholders' Meetings. When a new Board is appointed, he generally organizes one or more days at the headquarters in order to increase the knowledge of Directors about the Issuer and the Group.

The Chairman also arranges for the Board to complete the necessary self-assessment at least once every year. In this regard, see Section 7.1 of this Report.

If specifically requested by the Shareholders and following the procedures indicated in the Policy for managing dialog with them, adopted by the Issuer following Board approval on 30th July 2021, the Chairman ensures that the Board is informed at the next available meeting about the nature and significant content of the discussions held with Shareholders.

#### **BOARD SECRETARY**

In compliance with Recommendation 18 of the Code, the Board meeting held on 17th March 2022 defined professionalism requirements for the Board Secretary, reserved for the Board, acting on a proposal from the Chairman, the appointment and revocation of the Board Secretary, and then appointed the Board Secretary, having regard for art. 4 of the Regulation for the functioning of the Board of Directors, which establishes that the Secretary need not be a Director. Accordingly, the Board meeting held on 17th March 2022 determined that the Secretary may even be an employee of the Company, drawn from the Legal and Corporate Affairs Area, who satisfies adequately the professionalism requirements and who has accumulated enough experience within the Secretariat of listed companies, or is expert in the legalities of listed companies and regulated markets. The Board also clarified that the duties of the Secretary consist in assisting the Chairman with activities linked to the proper functioning of the Board and in providing the Directors with impartial assistance and legal advice on Corporate Governance matters, on their rights, powers and duties, and on the formalities to be completed by them, in order to perform their duties in a proper manner. In accordance with instructions from the Chairman, the Secretary must ensure that: a) the pre-meeting information is clear, complete and accurate and any supplementary information supplied during meetings is suitable to allow the Directors to make informed decisions; b) the activities of Board committees are coordinated with those of the Board; c) the top management of the Company and Group companies, as well as business function managers, are able to attend Board meetings in order to provide appropriate details about the matters on the agenda.

Given the above, the Board resolved to appoint Giulia Degano, Group Head of Legal, as Board Secretary.

## **4.6 EXECUTIVE DIRECTORS**

### **MANAGING DIRECTORS**

The Board meeting held on 6th May 2020 assigned to Chairman Massimo Ferretti exclusive powers to implement and execute properly the injury protection portfolio including, in particular,



***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

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, except with regard to (i) the purchase, sale, exchange and contribution of property subject to registration; (ii) the purchase, sale, exchange and contribution of lines of business that include property subject to registration; (iii) the sale of brands used within the scope of the company objects; (iv) the purchase, sale, exchange and contribution of lines of business or holdings in companies with a value in excess of € 5,000,000.

The same Board meeting granted Alberta Ferretti all the broadest powers of ordinary and extraordinary administration, excluding implementation and proper execution of the injury protection portfolio, 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. Alberta Ferretti, executive Deputy Chairman of the Company, mainly focuses on developing the style and prestige of her collections, as well as on developing brand awareness and the image of the brands and the Company as a whole.

On 6th May 2020, the Board also granted Simone Badioli all the broadest powers of ordinary and extraordinary administration, excluding implementation and proper execution of the injury protection portfolio, 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.

On 27th January 2021, the Board granted Director Giancarlo Galeone the following powers, to be exercised freely as sole signatory up to a maximum of 1 (one) million euro for each transaction, with express option to delegate:

1. promote and manage relations with the Shareholders of the Company and investors, taking all necessary and appropriate action, in compliance with the strategic guidelines indicated by the Board of Directors;
2. arrange, working together with the Chief Executive Officer, to coordinate and manage the administrative and financial area of the Company and the Group, with specific reference to the execution of reporting policies and relations with banks and the independent auditors;
3. 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;

**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

4. 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, indirect and municipal taxes, as well as any and all attachments or attestations relating to the above deeds;
5. 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;
6. 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;
7. 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;
8. 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;
9. 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, indirect and municipal taxes, 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;
10. request, negotiate and sign contracts for bank lines of credit and all other contracts relating to loans requested from third parties;
11. request, negotiate and sign contracts for the sale of receivables to factoring companies

**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

and/or third parties operating in the same sector.

Simone Badioli, as the Chief Executive Officer of the Issuer, is identifiable as the person primarily responsible for the management of the business. Simone Badioli is supported in his role by the other members of the Executive Committee: Massimo Ferretti and Giancarlo Galeone.

With regard to the positions held by Simone Badioli, the *interlocking directorate* situation does not apply, since (A) he is not a director of any other issuer; (B) he is not a director of any companies, not belonging to the same group, whose 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 established the Executive Committee on 17th December 2021. The Executive Committee comprises Massimo Ferretti, Simone Badioli and Giancarlo Galeone.

The Executive Committee is responsible for proposing and examining the strategic plans of the Group, in coordination with and implementation of the strategic guidelines and directions established by the Board of Directors; this committee has a decision-making role on matters with economic-financial implications of strategic importance for the Group. In particular, in compliance with the limits envisaged in art. 2381 c.c. and with a maximum limit of 15 (fifteen) million euro for each transaction, the Executive Committee has the following duties:

- acting on a proposal from the Chief Executive Officer, examine plans budgets and strategic operations in advance for submission to the Board of Directors for further examination and approval;
- monitor execution of the plans, budgets and strategic operations approved by the Board of Directors, periodically reporting on them to the Board;
- examine and approve, acting on a proposal from the Chief Executive Officer, the general organizational structure of the Company and the Group;
- ensure, given its nature and size, that the organizational, administrative and accounting structure of the Company is appropriate, recommending any related actions to the Board of Directors.

In addition to the matters envisaged in art. 2381 c.c., the Board of Directors has sole responsibility for adopting the resolutions envisaged in arts. 2420-ter (Powers of Directors), 2423 (Preparation of financial statements), 2443 (Powers of Directors), 2446 (Capital reductions due to losses), 2447 (Capital reductions below the legal limit), 2501-ter (Proposed mergers) and 2506-bis (Proposed carve-outs) of the Italian Civil Code, in compliance with the regulations that govern significant economic, financial and equity transactions with related parties, as well as any atypical or unusual operations.

**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

The Executive Committee must inform the Board of Directors about any significant transactions carried out pursuant to its mandate at the first meeting subsequent to exercise of its delegated powers, without prejudice in all cases to the validity of the measures adopted. Additionally, the Executive Committee reports periodically to the Board of Directors on execution of the plans, budgets and strategic operations approved by the Board.

#### **INFORMATION PROVIDED TO THE BOARD BY DIRECTORS/DELEGATED BODIES**

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

#### **OTHER EXECUTIVE DIRECTORS**

There are no directors who perform executive activities, other than the persons indicated as executive directors in section 4.6 above.

#### **4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTOR**

When appointing the Board of Directors on 22nd April 2020, the shareholders that presented lists also indicated which directors were independent; that assessment was examined by the Board of Directors at the meetings held on 6th May 2020, 18th March 2021 and 17th March 2022.

At the meeting held on 15<sup>th</sup> March 2023, the Board of Directors established in advance, as envisaged in art. 2 of Corporate Governance Code Recommendation 7, the quantitative and qualitative criteria for determining the significance of any commercial, financial or professional relations and additional remuneration that could adversely influence the independence of directors. These criteria are discussed below.

With reference to the quantitative criteria applicable to the Director whose independence is being assessed, significance is attached to any existing commercial, financial or professional relations and those maintained during the year in which independence is confirmed, or during the three years prior to the date of that confirmation and, if applicable, during the period between the end of the last financial year and the date on which the confirmation is given (the "Reference Period"), with the following parties (together, the "Relevant Parties"):

- the Issuer, its subsidiaries, the party that controls the Issuer and the companies under joint control; and
- the related executive directors and top management.

The above relations with Relevant Parties are usually deemed significant - and, therefore, capable of compromising the independence of the Director - if, considered individually or cumulatively, they involved the recognition of annual economic remuneration exceeding Euro 70,000 (seventy thousand), including in situations in which a legal person has been formed or used specifically to establish the above relations.

For the above purposes, relations with Relevant Parties are also deemed significant when maintained by a close family member of the Director, namely: (i) parents, (ii) children, (iii) spouse if not legally separated and (iv) members of the same household (each, a "**Close Family Member**").

In addition, when the Director maintains relations with Relevant Parties indirectly - for example, via subsidiaries or companies in which s/he is an executive director, or as a partner in a professional firm or firm of advisors - existing relations or those maintained during the Reference Period are usually deemed significant if, considered individually or cumulatively, they involved the recognition of annual economic remuneration exceeding Euro 100,000 (one hundred thousand).

***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

With particular reference to any additional remuneration received during the Reference Period by the Director whose independence is being assessed, significance is attached to any total annual amount recognized to that person for positions held within the Issuer and its subsidiaries that exceeds the fixed annual remuneration received by that person for the position of Director of the Issuer (including any remuneration recognized for membership of Board committees).

With regard to the qualitative criteria, regardless of whether or not the quantitative parameters are exceeded, significance is attached to any commercial, financial or professional relations that, in the opinion of the Board of Directors, might condition the independence of judgment of a Director and his/her independence as a Director of the Company when performing the assigned duties. When making its assessment, the Board of Directors must take into account all the professional activities usually carried out by the Director, the appointments usually assigned, and the importance of the above relations to the Director in terms of his/her reputation within the organization.

Daniela Saitta, Roberto Lugano, Francesca Pace, 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. 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 Daniela Saitta, Bettina Campedelli, Francesca Pace and Marco Francesco Mazzù, all non-executive directors, satisfy the independence requirements specified in the Corporate Governance Code for listed companies; additionally, these directors may also be considered independent by reference to the quantitative and qualitative criteria determined by the Board.

Directors Roberto Lugano, Daniela Saitta, Bettina Campedelli, Francesca Pace and Marco Francesco Mazzù have in fact confirmed that none of the circumstances listed in Recommendation 7 (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. The Board has decided in relation to Roberto Lugano, a non-executive director and member of the Board of Aeffe S.p.A. for more than nine years who satisfies all the independence requirements specified in the TUF, that, in consideration of the most robust application of Recommendation 7.e), to which the Chairman of the Corporate Governance Committee of Borsa Italiana referred Issuers in his last two letters, he should just be classified as a non-executive director pursuant to the Corporate Governance Code, since his period in office now exceeds nine years.

At the meeting held on 17rd March 2022, the Board of Statutory Auditors verified proper application of the checking criteria and procedures adopted when assessing 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 year, the independent Directors met by video conference, with the participation of the Board of Statutory Auditors, on 9th November 2022. The independent Directors did not consider it necessary to convene additional formal meetings. In this regard, the joint meeting of the Compensation Committee and the Control, Risks and Sustainability Committee held on 10th May 2022 involved all the independent Directors. The meetings were coordinated by the Lead Independent Director.

***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

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

#### **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 6th May 2020 the Board appointed Daniela Saitta as Lead Independent Director, pursuant to Recommendation 13 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. Pursuant to Recommendation 14 of the Code, 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, Daniela Saitta coordinated the requests made to the Board by the non-executive and independent Directors, ensuring that such requests were taken into proper consideration during the discussions; she also promoted and coordinated separate meetings of the independent directors.

**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

## **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, in March 2007 the Issuer also adopted a code of conduct in relation to privileged information ("Code on Privileged Information", available on the institutional website: <https://aeffe.com/it/statuto-procedure-e-regolamenti-societari/>), which was later updated on 28th July 2016 following changes made to the regulations and the creation of a specific 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", available on the institutional website: <https://aeffe.com/it/statuto-procedure-e-regolamenti-societari/>), 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 shares and/or financial instruments of the Company during the black-out period, i.e. the 30 (thirty) calendar days prior to the meeting of the Board of Directors called to approve the draft financial statements, the six-monthly report and the periodic accounting information of the Issuer.

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, tasking her to comply with the legislative and regulatory requirements for Contact Officers, with particular reference to internal dealing matters 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 16th 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 16th 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 (available on the institutional website: <https://aeffe.com/it/statuto-procedure-e-regolamenti-societari/>); these procedures were approved and adopted at the Board meeting held on 28th July 2016.

On 30th July 2021, the Issuer also adopted the Policy for managing dialog with the Shareholders (available on the institutional website: <https://aeffe.com/it/statuto-procedure-e-regolamenti-societari/>).



*Courtesy Translation. In any case of discrepancy, the Italian text prevails.*

## **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.

The Board meeting held on 6th May 2020 appointed the various Committee members.

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 Control, Risks and Sustainability Committee comprises three non-executive directors, the majority of whom are independent. The composition and functioning of the Compensation Committee are described in Section 9.2 of this Report.

The Compensation Committee comprises non-executive directors, the majority of whom are independent. The composition and functioning of the Compensation Committee are described in Section 8.2 of this Report.

No Committees have been established to cover the functions of two or more of the committees envisaged in the Code (control and risks, remuneration and appointments).

### **Other committees (not envisaged in the regulations or recommended in the Code)**

The Issuer has not established any other committees, except for the Executive Committee.

## **7 SELF-ASSESSMENT OF DIRECTORS AND SUCCESSION – APPOINTMENTS COMMITTEE**

### **7.1 SELF-ASSESSMENT OF DIRECTORS AND SUCCESSION**

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.



***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

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 15th March 2022.

The Board decided to take advice from an independent third party when carrying out the 2022 Board Evaluation and, after considering the proposals received from three independent specialists, appointed Carter & Benson to help make the assessment.

The Board Review performed by Carter & Benson, which delivered its report in February 2023, covered the size, composition and effective functioning of the Board, considering the role played by the Board in defining strategies, as well as in monitoring both performance and the adequacy of the system of internal control and risk management. The assessment process involved the completion of questionnaires by all members of the Board of Directors and personal interviews with each of them.

On completion, it emerged that the majority of the Directors express positive opinions about the functioning and dynamics of the Board. In particular, the Directors are pleased that the Board is active as a governance body and satisfied overall with its work and their personal contributions. They also recognize, in this regard, the balanced composition of the Board in terms of the available skill sets.

In order to assess their suitability for the position held, the Directors provided full information about their personal and professional characteristics, skills and prior experience, as well about their directorship and top management appointments in various sectors.

In other words, the results of both the Self-Assessment Questionnaire and the subsequent in-depth interviews confirm that the Aeffe Group complies with the governance model adopted and pursues its stated mission, which is to create value for all Shareholders, employees, customers and vendors. Board members believe that information is disseminated in a careful and precise manner, with maximum willingness to provide any further details requested.

The results of the Board Evaluation were presented to the Control, Risks and Sustainability Committee on 8th March 2023, and at the meeting of the Board of Directors held on 17th March 2023. Having examined the report from Carter & Benson, the Board acknowledged that its scale and composition, and those of its committees, are appropriate for the duties to be performed and that the Board and its committees function effectively, without the identification of particular issues.

This is also because 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 (Pace, 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.

Notably, of the 9 members of the Board of Directors of the Issuer, 5 are independent pursuant to the TUF; in addition to satisfying legal requirements, this aspect is also a guarantee of integrity and transparency for 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 sector and significant industrial experience. As regards the committees, the Control, Risks and Sustainability Control Committee and the Compensation

***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

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 Recommendations 5 and 8 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.

To the extent of its responsibilities, the Board checks via a self-assessment process that the appointment and succession of Directors is transparent and capable of optimizing its composition, while recognizing that the appointment of Directors is reserved for the Shareholders' Meeting and carried out using the list voting procedure described in Section 4.2.

With regard to co-opting Directors, (i) if one or more of the Majority Directors who ceased to serve were independent Directors, other independent directors must be co-opted in compliance with the current regulations on gender balance; (ii) 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.

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; 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 remains 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.

If for any reason the appointment or replacement of one or more Directors cannot be accomplished in the manner indicated above, 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 of the Issuer.

***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

## **7.2 APPOINTMENTS COMMITTEE**

At the date of this Report, the Board has not established an Appointments 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.

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.

Considering the ownership structure of Aeffe and the size of the Company, the Issuer believes that the preparation and possible adoption of succession plans is not a business need at this time, given that such plans are generally used by large companies with broad share ownership; nevertheless, having regard for requests in this regard from the Control, Risks and Sustainability Committee and the independent Directors, the Board has mandated the above committee to prepare a proposed succession plan that the Board is currently evaluating for formal adoption during 2023.

## **8 REMUNERATION OF DIRECTORS - COMPENSATION COMMITTEE**

### **8.1 REMUNERATION OF DIRECTORS**

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

The Shareholders' Meeting held on 22nd April 2020 authorized the total remuneration payable to the independent and non-executive Directors. At the Board meeting held on 13th 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.

### **8.2 COMPENSATION COMMITTEE**

The Board of Directors has established a Compensation Committee that comprises three non-executive directors, the majority of whom are independent.

Its members are:

- Daniela Saitta – Independent director
- Roberto Lugano – Non-executive director
- Marco Francesco Mazzù, Independent Director.

The Board has recognized all three members indicated above as having 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. At the invitation of the Committee Chair, the Group HR Director attended the meeting held on 16th March 2022 and the Issuer's HR Director attended that held on 10th May 2022. The Committee meetings may be attended by members of the Board of Statutory Auditors, especially with regard to those meetings held to discuss the proposed remuneration of Executives with Strategic Responsibilities and medium/long-term incentive plans.

The Committee assists the Board by preparing proposed remuneration policies and proposals for the compensation of executive Directors and other directors with specific responsibilities, as well as for setting performance targets linked to the variable component of that compensation.

Pursuant to letters c) and d) of Code Recommendation 25, the compensation committee monitors substantive application of the remuneration policy and specifically verifies the effective achievement of performance objectives .

In performing its functions, the Compensation Committee was able to access to the information and corporate functions needed to complete its tasks, but did not consider it necessary to ask the Board for financial resources or make use of external consultants.

At the meeting held to approve the Remuneration Report, the Committee determined the remuneration policy adopted to be appropriate and consistent with the needs and organization of the Issuer. Committee meetings are coordinated by the Chairman and have been properly minuted; the minutes have been recorded in the minute book.

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

*Courtesy Translation. In any case of discrepancy, the Italian text prevails.*

## **9 SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT – CONTROL, RISKS AND SUSTAINABILITY COMMITTEE**

The Board has established guidelines for the system of internal control and risk management - comprising the set of rules, procedures and organizational structures designed to ensure the real and effective identification, measurement, management and monitoring of the principal risks in order to contribute to the sustainable success of the Issuer - consistent with the strategies adopted by the Issuer.

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 related guidelines.

An effective system of internal control and risk management 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.

During the year, taking account of information received from the Control, Risks and Sustainability Committee, the Board assessed the adequacy, effectiveness and proper functioning of the system of internal control. 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 system of internal control and risk management:

- the Board of Directors;
- the Control, Risks and Sustainability Committee;
- the Chief Executive Officer, as the Director responsible for establishing and maintaining the system of internal control and risk management;
- the Board of Statutory Auditors;
- the Independent Auditors;
- the Manager of the Health and Safety Function;
- the Executive responsible for preparing the Issuer's accounting documentation;
- the Internal Audit Manager;
- The Supervisory Body

The Issuer's risk management and internal control system includes a system of risk governance that is properly managed and subjected to periodic checks:

- 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;

**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

- Organization, Management and Control Model pursuant to Decree 231/01 on the administrative responsibilities of legal persons;
- Occupational Health and Safety (Decree 81/08), managed by specific professionals employed by the Company;
- Management of IT System Security. The system includes personal data protection controls (Reg. EU 2016/679 – “GDPR”).

Specific information flows have been implemented between the Board 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.

### **9.1 CHIEF EXECUTIVE OFFICER**

The Board has assigned to Simone Badioli, the Chief Executive Officer, the task among others of monitoring the functioning of the system of internal control and risk management. Among his duties, he ensures identification of the principal business risks and operation of the system of internal control and risk management, having regard for the characteristics of the Group's activities, and reports any issues found to the Control, Risks and Sustainability Committee and the Board.

The Chief Executive Officer: (i) considering the nature of the activities of the Issuer and its subsidiaries, identifies the principal business risks and periodically draws them to the attention of the Board of Directors; (ii) implements the guidelines established by the Board, via the design, development and management of the system of internal controls and risk management and via checks on its overall adequacy and effectiveness; (iii) adapts the system to changes in the legislative and regulatory background; (iv) exercises full powers to request the Internal Audit function 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 Control, Risks 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 Control, Risks 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 such Committee (or the Board) can take appropriate action.

Since no problems or issues arose in the performance of his activities during 2022, the Chief Executive Officer did not send any communications of this type to the Board or the Control, Risks and Sustainability Committee.

### **9.2 CONTROL, RISKS AND SUSTAINABILITY COMMITTEE**

The following Directors are members of the Control, Risks and Sustainability Committee of the Issuer:

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

The Committee provides advice and makes recommendations to the Board regarding the system of internal control and risk management.

***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

The Committee has adopted a Regulation, approved by the Board of Directors, that governs its functioning.

The Committee supports the Board of Directors:

- (i) in determining guidelines for the system of internal control and risk management, consistent with the strategies adopted by the Company;
- (ii) in assessing each year, or more frequently, the adequacy of the system of internal control and risk management, with respect to the characteristics of the business and the risk profile accepted, as well as its effectiveness;
- (iii) in appointing and terminating the Internal Audit Manager, in assessing the adequacy of the resources assigned to the function, and with evaluating the annual audit plan and the periodic reports prepared by the Internal Audit Manager;
- (iv) in assessing the report of the Independent Auditors and any letter of recommendations issued, and the additional report addressed to the Board of Statutory Auditors;
- (v) in describing, in the report on corporate governance, the principal characteristics of the system of internal control system and risk management and the method of coordination between the parties concerned, indicating relevant models and best practices where possible;
- (vi) in evaluating the choices made in relation to the composition of the Supervisory Body pursuant to Decree 231/2001.

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 262/2005;
- (ii) assesses the suitability of periodic, financial and non-financial information for providing the correct representation of the business model, Company strategies, the impact of its activities and its performance;
- (iii) examines the content of the periodic non-financial information of significance to the system of internal control and risk management;
- (iv) expresses opinions on specific aspects relating to the identification of the principal business risks and supports the assessments and decisions of the Board of Directors regarding management of risks deriving from any detrimental facts that become known;
- (v) monitors the adequacy, efficiency and effectiveness of the internal audit function;
- (vi) reports to the Board every six months, at the time of approving the annual and half-year financial reports, on the work performed and on the adequacy of the risk management and internal control system;
- (vii) performs the additional duties assigned by the Board of Directors from time to time.
- (viii) as the body responsible for sustainability, supports and advises the Board of Directors on activities and projects intended to reinforce the Company's commitment to creating value over time for the body of shareholders and all stakeholders, over the medium-long term and in compliance with the applicable principles of sustainable development.



***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

Where necessary, the Control, Risks and Sustainability Committee assesses related-party transactions on a case-by-case basis.

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

The committee meetings have been 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 Control, Risks 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. 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 system of internal control and risk management.

### **9.3 INTERNAL AUDIT MANAGER**

The Internal Audit Manager of the Issuer is Alessandra Barlini (of Operari S.r.l., an Italian benefit corporation). Alessandra Barlini was appointed with the favorable opinion of the Control, Risks and Sustainability Committee, after consulting 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 system of internal control and risk management by implementing an audit plan, approved by the Board of Directors and based on a structured analysis of the principal risks. The Internal Audit Manager has direct access to all the information needed in order to carry out her duties, which include:

- preparing periodic reports containing adequate information about her 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 system of internal control and risk management;
- preparing timely reports on events of particular significance;
- submitting the above reports to the Chairs of the Board of Statutory Auditors, the Control, Risks and Sustainability Committee and the Board of Directors, as well as to the Chief Executive Officer;
- checking, in the context of the audit plan, the reliability of IT systems and, in particular, the accounting systems.

During 2022, 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) execution of the additional tasks envisaged in the Audit Plan for 2022.

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.



**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

#### **9.4 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.

The Organizational Model has been presented to the Board and was adopted on 28th March 2008. The Model has been continually updated and supplemented, obtaining the approval of the Board of Directors (the latest on 28th July 2022). The Model is available on the website of the Issuer: <https://aeffe.com/it/modello-di-organizzazione-gestione-e-controllo/>.

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 organizational structure of the Company.

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 that were no longer fully consistent with the business organization, including in consideration of the evolution of the business from 2020 (the year of the previous update of the Model) to date.

Work to update the Model started from verification of the current status and updates regarding: (i) the code of ethics; (ii) mapping of activities at risk; (iii) the organizational model; (iv) internal procedures; (v) system of mandates and powers; (vi) the disciplinary system; (vii) the training and information of personnel.

A definitive report addressed to the Board of Directors was prepared and delivered to all Directors and Statutory Auditors. It provided complete information on the phases of work carried out to update the Model and on the results obtained.

The current Supervisory Body comprises Roberto Lugano, Carla Trotti and Stefano Di Biase.

Pollini S.p.A. has adopted its own organization, management and control model since 2014.

#### **9.5 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 13th April 2016 and will expire following the audit of the separate and consolidated financial statements as at 31 December 2024.

**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

## **9.6 EXECUTIVE RESPONSIBLE FOR PREPARING FINANCIAL AND CORPORATE DOCUMENTATION AND OTHER CORPORATE ROLES AND FUNCTIONS**

The Executive responsible for preparing financial and corporate documentation is Matteo Scarpellini, Group CFO, appointed on 28th July 2022 to replace the previous Chief Financial Officer, who had resigned.

Given the position and role of the Responsible Executive, all appropriate operational and managerial powers have been granted to him, together with significant financial autonomy.

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 24th 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 24th 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.

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

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

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.

**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

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 checking procedures throughout the year to verify that the persons 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 control. 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 Control, Risks 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 Control, Risks and Sustainability Committee and Supervisory Board.

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

The Issuer has not formalized methods of coordination between the various persons involved in the system of internal control and risk management, since such persons have numerous opportunities to meet for informal discussion both during and after (i) meetings of the Control, Risks and Sustainability Committee; (ii) meetings of the Supervisory Body, and (iii) meetings of the Board.

***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

The Control, Risks and Sustainability Committee and the Internal Audit Manager keep the Board of Statutory Auditors constantly informed and collaborate closely with it, not least by joint participation at the meetings of the Control, Risks and Sustainability Committee.

## **10 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.

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.

Consistent with the above requirements and those contained in Consob Regulation No. 17221 dated 12th March 2010, on 10th November 2010 the Issuer adopted a new procedure for related-party transactions that, in compliance with the above regulation, came into effect on 1st January 2011. The procedure was later amended and supplemented in compliance with Consob resolutions 21623 and 21624 dated 10/12/2020. In particular, with respect to the previous version, the Procedure adopted in 2021:

- distinguishes the Transactions involving Minor Amounts not only with reference to the type of operation with the related party, but also - as required by the new regulation - with reference "at least" to the nature of the counterparty (natural or legal person);
- has amended the definition of "Related Party" to that envisaged in the new regulation, making reference to the concepts of "control", "joint control" and "significant influence" envisaged in IFRS 10 and 11 and IAS 28;
- has confirmed the obligation placed on Directors involved in (with an interest in) the transaction to abstain from the related Board discussions.

The text of the procedure governing transactions with related parties is available for consultation at the registered offices, on the website of Borsa Italiana and on the website: <https://aefte.com/it/statuto-procedure-e-regolamenti-societari/>.

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

*Courtesy Translation. In any case of discrepancy, the Italian text prevails.*

## **11 BOARD OF STATUTORY AUDITORS**

### **11.1 APPOINTMENT AND REPLACEMENT**

The Code requires Statutory Auditors, appointed in accordance with gender diversity criteria, to act with autonomy and independence. The Issuer must take steps to guarantee effective performance of the duties assigned to the Board of Statutory Auditors.

The Board of Statutory Auditors comprises three serving auditors and two alternates. The Statutory Auditors remain in office for three financial years and their appointments expire at 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 states 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.

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.

***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

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 not 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 22nd 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"; later, on 15th December 2020, IM Fashion S.r.l. was absorbed by Fratelli Ferretti Holding S.r.l.) and the minority list presented by Anima SGR S.p.A., manager of the 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

**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

funds: Fideuram Italia, Piano Azioni Italia, Piano Bilanciato Italia 50, Piano Bilanciato Italia 30; Interfund Sicav Société d'Investissement segment Interfund Equity Italy; Generali Investments Luxembourg S.A. manager of Generali Smart Funds Sicav; Mediolanum International Funds Limited manager of Challenge Funds – Challenge Italian Equity; Mediolanum Gestione Fondi SGR S.p.A. manager of 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 and ninety) shares amounting to 88.864% (eighty-eight point eight six four percent) of the share capital represented at the Meeting.

List 2, presented jointly by the Minority Shareholders, received the favorable votes of 31 (thirty-one) shareholders for 8,314,350 (eight million three hundred fourteen thousand, three hundred and 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



***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

II – Brighthouse/Dim Int Small Company PTF, Challenge Funds- Challenge Italian Equity, American Century Trust – Avantis International Small Cap, AQR Funds – AQR Multi Assets Funds, Alaska Permanent Fund Corporation, Oregon Public Employees Retirement System, DFA International Small Cap Value PNS Group Inc, Florida Retirement System - the equivalent of 7.744% (seven point seven four four percent) of the share capital represented at 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 31st December 2022.

*Courtesy Translation. In any case of discrepancy, the Italian text prevails.*

## 11.2 COMPOSITION AND FUNCTIONING (PARA. 2, LETTERS D) AND D)-BIS OF ART. 123-BIS, TUF)

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 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 comprises professionals with adequate skills and knowledge of financial, accounting and legal matters, who do not have any professional relationships with the Issuer and/or the Group; the Chairman of the Board is the Serving Auditor drawn from the Minority List. The Issuer therefore considers the composition of the Board to be adequate to ensure the independence and professionalism of the function.

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: <https://aefte.com/it/organi-sociali/>.

### **DIVERSITY CRITERIA AND POLICIES**

The Articles of Association require the Company to appoint the members of the Board of Statutory Auditors in compliance with the gender balance requirements. One third of the Board of Statutory Auditors comprises auditors of the least represented gender.

The Board of Statutory Auditors met 10 (ten) times during 2022. All meetings were attended by all serving members in office.

The average duration of the meetings was 2 hours and 18 minutes.

The Board has scheduled 6 (six) meetings in the current year until the expiry of its mandate, of which 3 (three) have already been held.

On 22nd March 2022 the Board of Statutory Auditors verified the independence of its members and, on that date, sent the Board of Directors an extract of the meeting minutes containing the criteria applied and the outcome of verification work.

### **INDEPENDENCE**

On 22nd March 2022 the Board of Statutory Auditors verified the independence of its members and, on that date, sent the Board of Directors an extract of the meeting minutes containing the criteria applied and the outcome of verification work.

***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

Each auditor, for their part, verified the absence of reasons for ineligibility, lapsing 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' Regulation.

Moreover each auditor individually acknowledged the negative outcome of his/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

Fernando Ciotti, holding the position of Serving Auditor within the Group for more than nine of the past twelve years (Recommendation 9 of the Corporate Governance Code, referenced within Rule Q.1.5 of CNDCEC), also provided suitable justification regarding the absence of risks of familiarity, triggered by the additional, in-depth assessment he carried out.

Lastly, each 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 those 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 in the same professional network.

Lastly, the auditors confirmed having evaluated the reasonableness of their remuneration, considering the intense commitment dedicated to performance of the role and the overall remuneration recognized to non-executive directors of the Company for their activities on both the Board of Directors and its committees. From the considerations made, the remuneration of the Board of Statutory Auditors was deemed to be adequate and proportional to the intense commitment dedicated to participating in meetings of the Board of Directors and its 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;

***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

- Adequacy of the composition of the Board with reference to the gender balance 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.

At the meeting held on 22nd March 2022, the Board of Statutory Auditors verified the independence of the legal 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 legal auditors and members of its network.

At the meeting held on 31st May 2022, pursuant to the provisions of art. 149, para. 1.c-bis TUF, the Board checked proper application of the assessment criteria and procedures adopted by the Board of Director for assessing the independence of its members.

Lastly, in the performance of its duties, the Board of Statutory Auditors coordinated with the Control, Risks 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 Control, Risks and Sustainability Committee, verifying the effectiveness of the procedures adopted and contributing to the identification of the most sensitive areas within the Company.

#### **REMUNERATION**

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. The remuneration of the Statutory Auditors was fixed with reference to the professional tariffs envisaged in art. 29 of Min. Decree 140 dated 20th July 2012, the results of the study of the corporate governance of Italian listed companies, published by Assonime, and the average remuneration of the Statutory Auditors of listed companies.

#### **MANAGEMENT OF INTERESTS**

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 Section 10 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.

## 12 RELATIONS WITH THE SHAREHOLDERS

### ACCESS TO INFORMATION

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 within its organizational structure a professionally-qualified person to serve as investor relations officer.

The Issuer has also created easily found and accessible sections (investor relations and governance) on its website [www.aeffe.com](http://www.aeffe.com), containing information about the Issuer that is relevant to Shareholders, so they can exercise their rights in full knowledge. The section of the Group website dedicated to investor relations contains all financial reports and significant information, in order to provide a better understanding of corporate phenomena.

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

### DIALOG WITH THE SHAREHOLDERS

As required by the new Code, the Issuer has adopted a suitable policy available on the institutional website <https://aeffe.com/it/statuto-procedure-e-regolamenti-societari/>.

The Policy for the management of dialog with the Shareholders (the "Dialog Policy") was adopted by the Board of Directors at the meeting held on 30th July 2021, having consulted and involved the Control, Risks and Sustainability Committee and acting on a proposal from the Chairman of the Board, in accordance with Recommendation 3 of the Corporate Governance Code.

The Dialog Policy requires each function involved in the dialog with Shareholders to have access to adequate resources and means to organize, management, safeguard and facilitate such dialog, in accordance with the principles of transparency, timeliness, equal treatment, promotion of corporate objectives and compliance.

Responsibility for the Dialog with current and potential investors, or the organizations that represent them, lies with the Chairman, in his role as legal representative of the Company and link between the executive and non-executive directors, as well as guarantor of the proper pursuit of the mission of the Board. This responsibility extends to relations with all investors and shareholders. In the performance of his functions, the Chairman is assisted by the Investor Relations Officer.

There are numerous opportunities for information and dialog with the Issuer. In particular, quarterly conference calls are organized with analysts, investors and journalists to present the results of the Group and the progress of business plans.

The program of financial communications also includes roadshows, meetings with investors and analysts, and participation at sector conferences; in fact, the Investor Relations function interacts continuously with analysts/investors, except in the days immediately prior to publishing the results for the period.

Dialog with smaller shareholders includes relations with their associations and the organization of dedicated events.

***Courtesy Translation. In any case of discrepancy, the Italian text prevails.***

Without prejudice to the fundamental principles and the regulatory constraints on the communications policy adopted by Aeffe, there are no predetermined limits on Company engagement with current and potential investors or the organizations that represent them.

### **13 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 2022, 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.

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 at: <https://aeffe.com/it/documenti-relativi-alle-assemblee-degli-azionisti/>.

**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

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 (<https://aeffe.com/it/documenti-relativi-alle-assemblee-degli-azionisti/>); 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.

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



**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

By resolution of the Board meeting held on 26th 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 28th April 2022 was attended by eight 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.

*Courtesy Translation. In any case of discrepancy, the Italian text prevails.*

#### **14 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.

#### **15 CHANGES SUBSEQUENT TO YEAR END**

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

#### **16 OBSERVATIONS ON THE LETTER FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

The Control, Risks and Sustainability Committee assessed the considerations contained in the letter dated 3rd December 2021 from the Chair of the Corporate Governance Committee of Borsa Italiana at the meeting held on 26th January 2022, and then reported its assessment to the Board of Directors. The 2022 analysis reported to the Board concerned:

- the invitation made to the Board of Directors to analyze the sustainability initiatives implemented by the Company, not only in strictly environmental terms, but also with reference to the action taken, especially during the past year, to support vendors and the production chain, and maintain employment and the flexibility of work;
- the invitation made to the Board of Directors to (i) determine explicit deadlines for the provision of documentation; (ii) identify clearly in the report on corporate governance the deadlines determined and actual compliance with them; (iii) avoid allowing the waiver of those deadlines solely for confidentiality purposes. In this regard, the Committee noted that the pre-meeting information provided by the Company is always timely and complete and that the Board has included adequate, fixed deadlines in the Board Regulation that cannot be waived unless in exceptional circumstances not justified solely by confidentiality considerations;
- assessment of the contribution made by the Board to the definition of strategic plans and the Board Review process. With regard to that recommendation, the Committee noted that the strategic plans of the Company are discussed constantly by the Board of Directors; indeed, each year, during the self-assessment process, the Board considers whether its members provide a proper and balanced mix of skills and experience: not least because the composition and performance of the Board of Directors and its committees influence the strategic decisions of the business and the success of the organization;
- the recommendation of the Governance Committee regarding the appointment and succession of directors: the Committee noted that, given its concentrated ownership, organization, size and articles governing list voting, the Company does not need an Appointments Committee;
- the recommendations made on remuneration policies; after consulting the Compensation Committee, the Board was recommended to make suitable amendments to the Remuneration Policy of the Company and given suggestions for the parameters used to determine the compensation of strategic executives and their medium/long-term incentive plans, followed later by the Board when adopting the Remuneration Policy and preparing the medium/long-term incentive plan for 2021-2024.

San Giovanni in Marignano, 17th March 2022

For the Board of Directors - The Chairman Massimo Ferretti

*Courtesy Translation. In any case of discrepancy, the Italian text prevails.*

## **SUMMARY TABLES**

**Table 1: Information about the ownership structure at 15<sup>th</sup> March 2023**

**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**

*Courtesy Translation. In any case of discrepancy, the Italian text prevails.*

**TABLE 1 - INFORMATION ABOUT THE OWNERSHIP STRUCTURE AS AT 15<sup>TH</sup> MARCH 2023**

<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 (increased voting rights not envisaged)	107,362,504	100%	107,362,504	RIGHTS AND OBLIGATIONS ASSOCIATED WITH ORDINARY SHARES
PREFERENCE SHARES	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
SHARES WITH MULTIPLE VOTING RIGHTS	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
OTHER CATEGORIES OF SHARE WITH VOTING RIGHTS	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
SAVINGS SHARES	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
CONVERTIBLE SAVINGS SHARES	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
OTHER CATEGORIES OF SHARE WITHOUT VOTING RIGHTS	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
OTHER	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE

*Courtesy Translation. In any case of discrepancy, the Italian text prevails.*

<b>OTHER FINANCIAL INSTRUMENTS (carrying the right to subscribe for new shares)</b>				
	Listed (indicate the markets) / non listed	No. of instruments outstanding	Category of shares servicing the conversion/exercise	No. of shares servicing the conversion/exercise
Convertible bonds	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
Warrants	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE

<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	8.325	8.325

Courtesy Translation. In any case of discrepancy, the Italian text prevails.

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AT THE REPORTING DATE

BOARD OF DIRECTORS													
Position	Members	Year of birth	Date of first appointment *	In office from	In office until	List Presenters**	List M/m***	Exec.	Non-exec.	Ind. per Code	Ind. per TUF	No. other appointments ****	Equity interests *****
Chairman	Massimo Ferretti	1956	16th July 1990	22nd April 2020	Meeting to approve financial statements as at 31/12/2022	Shareholders	M	X				-	6/7
Deputy Chairman	Alberta Ferretti	1950	16th July 1990	22nd April 2020	Meeting to approve financial statements as at 31/12/2022	Shareholders	M	X				-	3/7
CEO - Chief Executive Officer*	Simone Badioli	1969	30th April 1993	22nd April 2020	Meeting to approve financial statements as at 31/12/2022	Shareholders	M	X				-	7/7
Director	Giancarlo Galeone	1961	17th December 2021	28th April 2022	Meeting to approve financial statements as at 31/12/2022	Co-opted by the Board on 17/12/21 and confirmed at the Shareholders' Meeting on 28/04/2022	-	X				-	7/7
Director	Marco Francesco Mazzù	1972	22nd April 2020	22nd April 2020	Meeting to approve financial statements as at 31/12/2022	Shareholders	m		X	X	X	-	7/7
Director	Roberto Lugano	1959	23rd May 2007	22nd April 2020	Meeting to approve financial statements as at 31/12/2022	Shareholders	M		X	-	X	-	7/7
Director o	Daniela Saitta	1962	12th April 2017	22nd April 2020	Meeting to approve financial statements as at 31/12/2022	Shareholders	M		X	X	X	1	7/7
Director	Bettina Campedelli	1962	14th May 2019	22nd April 2020	Meeting to approve financial statements as at 31/12/2022	Shareholders	M		X	X	X	1	7/7
Director	Francesca Pace	1961	17th March 2022	28th April 2022	Meeting to approve financial statements as at 31/12/2022	Co-opted by the Board on 17/03/22 and confirmed at the Shareholders' Meeting on 28/04/2022	M		X	X	X	3	5/5

**Courtesy Translation. In any case of discrepancy, the Italian text prevails.**

DIRECTORS TERMINATED DURING THE YEAR													
Director	Michela Zeme	1969	22nd April 2020	22nd April 2020	Meeting to approve financial statements as at 31/12/2022	Shareholders	M		X	X	X	3	2/2

**NOTES**

- (\*) 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 the Issuer.
- This symbol indicates the director responsible for the system of internal control and risk management.
- (\*\*) This column indicates whether the list from which each director was drawn was presented by the Shareholders or by the Board.
- This symbol indicates the Lead Independent Director (LID).
- (\*\*\*) 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 listed or large companies.
- (\*\*\*\*\*) This column indicates the attendance by directors at Board meetings

Courtesy Translation. In any case of discrepancy, the Italian text prevails.

**TABLE 3: STRUCTURE OF BOARD COMMITTEES**

Board		Executive Committee		RPT Committee		Control Risks and Sustainability Committee		Compensation Committee		Appointments Committee		Other committee		Other committee	
Position/Type	Members	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman of the Board - executive / non-independent	Massimo Ferretti	4/4	C	N.A.	N.A.					N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
CEO	Simone Badioli	4/4	M	N.A.	N.A.					N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Executive Director - non-independent	Giancarlo Galeone	4/4	M	N.A.	N.A.					N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Non-executive Director - independent per TUF and Code	Daniela Saitta			N.A.	N.A.	6/6	M	3/3	C	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Non-executive Director - independent per TUF and Code	Bettina Campedelli			N.A.	N.A.	6/6	C			N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Non-executive Director - independent per TUF and Code	Marco Francesco Mazzù (appointed on 28/04/2022)			N.A.	N.A.			1/3	M	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Non-executive Director - independent per TUF	Roberto Lugano			N.A.	N.A.	6/6	M	3/3	M	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>----- DIRECTORS TERMINATED DURING THE YEAR -----</b>															
Non-executive Director - independent per TUF	Michela Zeme	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	2/3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>----- ANY MEMBERS WHO ARE NOT DIRECTORS -----</b>															
Executive of the Issuer / Other	Name and surname	<b>N.A.</b>										<b>N.A.</b>	<b>N.A.</b>	<b>N.A.</b>	<b>N.A.</b>
<b>No. meetings held during the year:</b>															
<b>NOTES</b>															
(1) This column indicates the participation by directors at Committee meetings (indicate the number of meetings attended with respect to the total number of meetings held; e.g. 6/8; 8/8, etc.).															
(2) This column indicates the position of the director on the Committee: "C" Chair, "M" member.															



Courtesy Translation. In any case of discrepancy, the Italian text prevails.

TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT THE REPORTING DATE

<b>BOARD OF STATUTORY AUDITORS</b>									
<b>Position</b>	<b>Members</b>	<b>Year of birth</b>	<b>Date of first appointment *</b>	<b>In office from</b>	<b>In office until</b>	<b>List M/m**</b>	<b>Ind. per Code</b>	<b>Attendance at meetings</b>	<b>No. other appointments***</b>
Chairman	Stefano Morri	1959	22nd April 2020	22nd April 2020	Meeting to approve financial statements as at 31/12/2022	m	X	10/10	-
Serving Auditor	Fernando Ciotti	1956	29th April 2008	22nd April 2020	Meeting to approve financial statements as at 31/12/2022	M	X	10/10	-
Serving Auditor	Carla Trotti	1969	12th April 2017	22nd April 2020	Meeting to approve financial statements as at 31/12/2022	M	X	10/10	-
Alternate Auditor	Nevio Dalla Valle	1963	12th April 2017	22nd April 2020	Meeting to approve financial statements as at 31/12/2022	M	X	-	-
Alternate Auditor	Daniela Elvira Bruno	1969	12th April 2017	22nd April 2020	Meeting to approve financial statements as at 31/12/2022	m	X	-	1
<b>No. meetings held during the reporting period: 9</b>									
<b>The quorum required for submitting lists by minorities for the election of one or more members is 2.5%</b>									
<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 directors at meetings of the Board and its Committees

(\*\*) this column indicates the position of the director on the Committee: "C" chairman, "M" member.