



# BOARD OF DIRECTORS' GUIDELINES ON THE OPTIMAL QUANTITATIVE AND QUALITATIVE COMPOSITION OF THE BOARD OF DIRECTORS FOR THE 2024-2026 THREE-YEAR PERIOD

## 1. Board of Directors' composition general principles and recommendations.

Under art. 12 of the Articles of Association of SABAF S.p.A. ("SABAF" or the "Company"), the appointment of the Board of Directors takes place based on lists, which can be submitted by holders of voting rights who, alone or together with others, hold shares representing, on the list filing date, at least 2.5 per cent of the share capital with ordinary Shareholders' Meeting voting rights. The Board of Directors may submit a list under the methods and deadlines established for the lists submitted by the shareholders.

The 2020 Corporate Governance Code (the "Code") requires the Board of Directors to provide guidelines on the future Board's optimal quantitative and qualitative composition. The guidelines must consider the results of the self-assessment on the size, composition and operation of the governing body and its committees, the role it has played in defining the strategies and monitoring the company performance, management and adequacy of the internal control and risk management system (the "Self-Assessment").

If the appointment is based on lists, the governing body should ask those who submit a list containing a number of candidates greater than half of the members to be elected to: (i) provide adequate information in the documentation submitted for filing the list, list compliance with the governing body guidelines, including diversity criteria of principle VII and recommendation 8 of the Code, and (ii) specify the candidate for the Board Chairman, whose appointment takes place under the Articles of Association.

The guidelines identify the managerial and professional profiles and the skills necessary suitable for the company sector, taking into account the diversity criteria of principle VII and recommendation 8 of the Code, and guidelines on the maximum number of tasks under recommendation 15 of the Code.

Given the above, the outgoing Board of Directors, assisted by the Remuneration and Appointments Committee, defined the guidelines on the optimal quantitative and qualitative composition of the Company Board of Directors, considering: (i) its Articles of Association (the "Articles of Association"); and (ii) the results of the Self-Assessment approved on 19 December 2023.

The Board of Directors' guidelines shown below outline the optimal composition of the Governing Body, considering its quantitative and qualitative organisation.

These guidelines include and replace the "Policy regarding the composition of corporate bodies" approved by the Board of Directors on 11 February 2021.

## **2. Number of the Board members**

Article 12 of the Articles of Association establishes that the Company's Board of Directors is composed of 3 to 15 members.

For the 2021-2023 three-year period, the Shareholders' Meeting appointed 9 Board members.

The guidelines suggest maintaining nine Board members, which allows for a constructive debate and expressing adequate diversification and plurality of skills, gender and seniority.

The suggested number is adequate to maintain a correct balance between executive and non-executive or independent directors and fulfil the needs relating to the establishment of internal committees.

## **3. Number of independent and non-executive Directors.**

Under art. 12 of the Articles of Association and art. 147-ter paragraph 4 of the Consolidated Finance Act (TUF), each list must include at least one candidate, or at least two if it includes more than seven candidates, meeting the independence requirements established by the legislation applicable to auditors of companies listed on Italian regulated markets.

Consistent with the Policy regarding the composition of Sabaf's corporate bodies of 11 February 2021, the non-executive Directors must be the majority compared to the executive Directors and there must be at least 3 independent Directors.

Considering the above and the optimal number of nine Board members, at least five non-executive Directors should be included, of which at least three must meet the independence requirements under applicable legislation and paragraph 7.4. of this document.

## **4. Board's gender balance.**

Art. 12 of the Company's Articles of Association requires that each list with candidates equal to or greater than three must specify those belonging to the less represented gender which ensures compliance with gender balance at least to the minimum extent required by applicable legislation and regulatory provisions.

Under art. 147-ter paragraph 1-ter of Legislative Decree no. 58/98 ("TUF" – Consolidated Finance Act) and the Policy on the composition of corporate bodies of 11 February 2021, it is confirmed that at least two fifths of the next Board of Directors must comprise Directors of the less represented gender<sup>1</sup>.

## **5. Qualitative composition of the Board of Directors - general profiles.**

For the correct fulfilment of its duties it is necessary that the Board is composed of individuals (i) fully aware of the powers and obligations related to their functions, (ii) possess the professional skills appropriate to the role and related to the Company's operation and size, (iii) who dedicate adequate time and resources to the complexity of their role, (iv) who pursue Company interests, acting independently from the corporate body that voted for them or the list from which they were drawn and (v) possess the integrity requirements established by applicable legislation and regulatory provisions.

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<sup>1</sup> As for the gender balance in the bodies of listed companies, please note that law no. 160 of 27 December 2019, amending articles 147-ter, paragraph 1-ter, and 148, paragraph 1-bis of the TUF increased the share of members of the governing and control bodies for the less represented gender to at least two fifths and extended their duration from three to six consecutive mandates, starting from the first renewal after 1 January 2020.

Company Directors accept and maintain the role if they believe they can dedicate the necessary time to the diligent performance of their duties, considering the commitment related to their work and professional activities, and the overall number of Director or Auditor positions held in other companies listed on Italian or foreign regulated markets or in financial, banking, insurance or large-sized companies and their participation in Board Committees.

Directors must be chosen based on their professional expertise, under applicable legislation and the Articles of Association.

In addition to possessing the integrity requirements established by applicable legislation, Directors must not have engaged in conduct which, although not illegal, is incompatible with the role of Director of a listed company or which may lead to prejudicial reputational consequences for the Company.

Those who find themselves suspended from their Director's position under applicable legislation cannot take the office of Director.

Under recommendation 23 of the Code, the Board of Directors requires anyone who submits a list containing more candidates than half of the members to be elected, to provide adequate information in the documentation submitted for filing the list, including the list compliance with the Board of Directors' guidelines, diversity criteria, and specify the candidate for the Board Chairman.

## **6. Qualitative composition of the Board of Directors - outgoing Board guidelines.**

Without prejudice to the guidelines in the previous paragraphs regarding the adequate number of non-executive and independent Directors and gender balance, the Board of Directors confirms what was already expressed by the Policy on the composition of Sabaf's corporate bodies of 11 February 2021 and qualitative requirements, as detailed below.

*i)* Training and professional experience. For an optimal composition of the Board of Directors, Directors must have the professional skills and experience to understand the current company management, risks and opportunities, to adequately guide and support the Sabaf Group on its long-term sustainable growth path. The following skills and experience are required:

- a. legal and corporate, including legislative and regulatory aspects relevant for listed companies;
- b. economic and financial, ability to analyse and interpret financial statements data prepared under international accounting standards and evaluate extraordinary transactions;
- c. entrepreneurial, managerial or professional, in the Group's or similar sectors, management of international entities, mergers and acquisitions;
- d. educational and professional background in the field of economic, social and environmental sustainability.

The Board underlines the importance of the following skills needed in the Governing Body:

- strategic and market orientation;
- communication, relations with shareholders and the financial community; knowledge of financial markets.

*ii)* Age and seniority. To create a balance between the need for continuity and renewal of management, it is useful to ensure a balanced combination of different seniorities and age groups within the Board of Directors.

iii) Availability of time and accumulation of tasks. In addition to the above requirements, it is essential that Directors ensure that sufficient time is available for the diligent carrying out of their duties. This should factor in the number and quality of the positions held in the administration and control bodies of other companies, and the commitment required by other work and professional activities carried out and the corporate offices held.

Directors must follow the guidelines already adopted and confirmed by the Board of Directors, which defined the following criteria:

- for executive Directors, maximum number of positions in listed or large companies<sup>2</sup> not exceeding three, not including the positions held within the Group;
- for non-executive Directors, maximum number of positions held in listed or large companies not exceeding seven.

iv) *Soft skills*. The Board of Directors believes that possessing the soft skills listed below should be considered:

- integrity, independence of thought;
- openness and availability to feedback and ability to constructively discuss with the other members of the Board;
- propensity for mutual cooperation, promoting and considering diversity as an added value;
- ability to work in a team.

The Self-Assessment returned an outcome of general satisfaction among the Directors regarding the current composition of the Board, specifically in the qualitative requirements described above. The Board of Directors decided to maintain the composition criteria for gender balance and number of executive, non-executive and independent Directors, skills required, experience and professional expertise, accumulation of tasks and time availability.

## 7. Specific positions

### 7.1. Chairman of the Board of Directors

In addition to the Directors' general requirements, the Board of Directors requires the following for the Chairman:

- (i) experience as chairman of the board of directors of companies with organisation and complexity comparable to Sabaf, or bodies or institutions of significant importance and prestige;
- (ii) authority, integrity and independence of judgement;
- (iii) soft skills that ensure the proper functioning of the Board of Directors and internal dialogue;
- (iv) mediation, listening and communication skills.

### 7.2. Chief Executive Officer

The Board of Directors requires the following from the CEO:

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<sup>2</sup>Regulation on Issuers, art. 144 duodecies, defines a "large company as described in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code, other than issuers and public interest companies, which, individually or at group level, if it draws up consolidated financial statements: i) employs on average at least 250 people during the financial year; or ii) has revenues from sales and services exceeding € 50 million and balance sheet assets exceeding € 43 million

- (i) expertise, knowledge, and authority in the Company's business sector;
- (ii) management leadership of a listed company with organisation, size and complexity comparable to Sabaf;
- (iii) suitable economic-financial and strategic business skills;
- (iv) consolidated network of a level appropriate to the Company;
- (v) suitable standing in the Company's reference market.

The Board of Directors recommends considering the importance of efficient cooperation between the Chairman and CEO, which is crucial for the Board's efficient operation and consequent good governance of the Company.

### **7.3. Executive Directors**

Executive directors must possess:

- (i) significant and adequate experience in top positions in companies comparable in size, organisation and complexity to Sabaf;
- (ii) significant and adequate economic-financial and strategic business skills.

### **7.4. Independent Directors**

An optimal composition of the Board of Directors requires non-executive and independent Directors, to ensure that their opinion can have a significant impact on the Board's decisions in terms of number, authority, competence and availability of time. Non-executive Directors provide their expertise to board discussions, helping to take informed decisions and paying attention to areas where conflict of interest may occur. Independent Directors must possess the independence requirements established by law and the Code.

As already highlighted in paragraph 3 of this document, non-executive Directors must be the majority compared to executive Directors and there must be at least three Independent Directors.

The following conditions can affect the independence requirement, without prejudice to the occurrence of specific circumstances, to be assessed by the Board of Directors:

- a. a Director holds, directly or indirectly (including through subsidiaries, trustees or third parties) or on behalf of third parties, shareholdings in Sabaf that allow them to exercise control or significant influence over the Company, or participates in shareholders' agreements for control or exercise significant influence over Sabaf;
- b. a Director is, or has been in the previous three financial years, an employee or a key representative of Sabaf, one of its subsidiaries having strategic importance or a company under joint control with Sabaf, or a company or body which, together with others through a shareholders' agreement, controls Sabaf or can exercise significant influence over it. Executive directors and managers with strategic responsibilities are considered Sabaf's "key representatives";
- c. a Director has or has had in the previous three financial years, directly or indirectly (through subsidiaries or companies of which they are executive directors, or partners of a professional firm or a consultancy firm) or on behalf of third parties, a significant commercial, financial or professional relationship with Sabaf, with one of its subsidiaries or any of its key representatives, and with the

shareholder or group of shareholders who control it, such as to influence their independence of judgement, or has been an employee of one of the above parties.

The relevance of the commercial, financial or professional relationship is assessed by the Board based on specific situations. These relationships are considered as "relevant" by the Board if they:

- were not made at market conditions, or
  - if made at market conditions, exceeded € 60,000 in the financial year, received personally by the Director as remuneration for a professional service performed for the Sabaf Group, outside the director remuneration. This limit applies when a company that is controlled by a director/board member receives the remuneration directly;
  - if made at market conditions, exceeded € 200,000 in the financial year, for professional services provided by a commercial company, professional service company such as a law firm, an investment bank or a large consulting firm, where the company is paid for goods or services, but the individual is not directly remunerated. the amount for large consulting firms must be related to relationships existing between Sabaf or another Group company and the legal entity/corporate group to which the individual's employment contract refers or of which the individual is a partner/shareholder;
- d. a Director receives or has received in the previous three financial years, from Sabaf or a subsidiary or parent company, remuneration for positions, in addition to the "fixed" of non-executive director, non-executive chairman/non-executive vice-chairman remuneration and the remuneration for participation in Committees, with a value exceeding € 50,000, including as participation in incentive plans linked to company performance, including share-based plans;
- e. a Director is a shareholder or director of a company or entity belonging to the network of the company in charge of the issuer's statutory audit;
- f. a Director has been a Sabaf director for more than nine financial years, even if non-consecutive, in the last 12 financial years;
- g. a Director holds the position of executive director in another company in which an executive director of Sabaf holds the position of Director;
- h. a Director is a close family member of a person who is in one of the situations referred to in the previous points. "Close family member" means the spouse, *more uxorio* cohabitant and the cohabiting family members.

For the requirement referred to in the previous letter f), the Board of Directors may assess a possible exception, following a reasoned suggestion from the Remuneration and Appointments Committee.

The Board may identify other situations which could invalidate the independence requirement.

Without prejudice to what has been specified for all Governing Body members and the independence requirements, the Board of Directors adds the following requirements for independent Directors included in the new Board:

- (i) maintain a suitable and significant presence of Independent Directors, under applicable legal and regulatory provisions and Code recommendations, to allow the new Board of Directors to establish its Committees;
- (ii) Independent Directors' skills and professional expertise must diversify and be complementary, to encourage a complete and profitable board dialogue and facilitate an adequate organisation of its

Committees. The Board of Directors recommends that at least one Independent Director has adequate mastery and experience in accounting, financial or risk management matters and at least one Independent Director has adequate mastery and experience in financial matters or remuneration policies for Boards and top managers.

## **8. Board duration**

Art. 12 of the Articles of Association states that the Governing Body's duration is three financial years.

The Board of Directors confirmed a three financial year duration in its guidelines.