



## **PROCEDURE FOR SUBMITTING A LIST FOR RENEWING THE BOARD OF DIRECTORS BY THE OUTGOING BOARD**

*Procedure phases, parties involved and timing*

*Ospitaletto (BS), February 2024*



## INTRODUCTION

Art. 12.5 of the Articles of Association of Sabaf S.p.A. ("**Sabaf**" or the "**Company**") gives the outgoing Board of Directors the right to submit a list of candidates for the position of director as part of the governing body changeover.

Recommendation no. 19(d) of the Corporate Governance Code for listed companies ("**Code**"), adopted by Sabaf, allows the board of directors to entrust the Remuneration and Appointments Committee ("**Committee**") with the task of assisting in the submission of a list by the outgoing board of directors, using methods that ensure its transparent preparation and presentation.

The list submission procedure by the outgoing Board of Directors was the subject of a Warning by Consob on 21 January 2022 (the "**Warning**"). As specified in the Warning, it is the Company's responsibility to define the most appropriate process for the preparation and submission of the Board of Directors' list and identify the relevant phases and contribution of the parties involved.

If the outgoing Board of Directors decides to submit its list of candidates for future renewal, the rules set out in this procedure (the "**Procedure**") shall apply, considering practice and without prejudice to any additional or different guidelines and instructions of the Supervisory Authority. The Procedure was approved by the Board of Directors, subject to the Committee's favourable opinion. The Company's directors who declare their willingness to be re-elected, must comply with the transparency obligations referred to in art. 2391 of the Italian Civil Code.<sup>i</sup>

The Procedure applies to the completion: (i) of the periodic self-assessment on the adequacy of the Board of Directors and internal Board committees in terms of size, composition and operation, considering the role played in defining strategies and monitoring the performance of operations and adequacy of the internal control and risk management system ("**Self-assessment**"); and (ii) the preparation of guidelines on the optimal quantitative and qualitative composition of the governing body ("**Guidelines**"), which referred to by the outgoing Board of Directors when preparing its list.



## PROCEDURE PHASES (I/III)

PHASE	ACTIVITIES
<b>Procedure initiation</b>	<p>The <b>Board of Directors</b> shall:</p> <ul style="list-style-type: none"> <li>➤ discuss if a Board of Directors' list is necessary and, if so, resolve to initiate the Procedure;</li> <li>➤ activate the Committee;</li> <li>➤ If the Committee includes (i) shareholders of the Company holding a shareholding suitable for the submission of its own list or (ii) shareholders or executive directors or employees of a shareholder (or parent company or controlled by a shareholder) with the requirements outlined in sub (i), resolves to replace Committee members with a Lead Independent Director or other independent directors under Legislative Decree no. 24 February 1998, no. 58 and the Code.</li> </ul>
<b>Selecting a head-hunting consultant</b>	<p>The <b>Committee</b> shall:</p> <ul style="list-style-type: none"> <li>➤ select possible head-hunting consultants for the search and selection of potential candidates.</li> </ul> <p>The <b>Board of Directors</b> shall:</p> <ul style="list-style-type: none"> <li>➤ resolve on the selection of the Head-hunting Consultant ("Head-hunting Consultant").</li> </ul>



## PROCEDURE PHASES (II/III)

PHASE	ACTIVITIES
<b>Defining selection criteria</b>	<p>The <b>Committee</b></p> <ul style="list-style-type: none"> <li>➤ if a preliminary phase of shareholder consultation on the qualitative and quantitative criteria to be followed when identifying the optimal composition of the Board of Directors, carries out these meetings confidentially or in a two-way mode, and prepares related summary reports,</li> <li>➤ with the support of the Head-hunting Consultant, it formulates selective criteria for the search and selection of candidates based on the Guidelines and submits them to the Board of Directors.</li> </ul> <p><b>The Board of Directors shall:</b></p> <ul style="list-style-type: none"> <li>➤ resolve on the selection criteria suggested by the Committee ("<b>Selection criteria</b>").</li> </ul>
<b>Candidate search and Long List analysis</b>	<p>The <b>Committee:</b></p> <ul style="list-style-type: none"> <li>➤ with the support of the Head-hunting Consultant, searches for potential candidates to be included in <i>a long list containing the profiles most consistent with the Selective Criteria ("Long List")</i>.</li> <li>➤ compares the candidates' profiles and selects the candidates to be interviewed based on the Selection Criteria.</li> </ul>



### PROCEDURE PHASES (III/III)

PHASE	ACTIVITIES
<b>Interviews and Short List definition</b>	<p>The <b>Committee shall:</b></p> <ul style="list-style-type: none"> <li>➤ interview candidates and select their profiles with the support of the Head-hunting Consultant. The latter may assist in the collection of the documentation necessary for compliance assessment for the Sabaf director position;</li> <li>➤ identify a <b>Short List</b> to be submitted to the Board of Directors, after verifying the suitability and independence requirements of candidates under the Guidelines and applicable regulations;</li> <li>➤ draw up a report on the preliminary process carried out and consistency of candidate selection with the Selection Criteria. This report specifies (i) the majorities with which the resolutions of the Board of Directors have been adopted in the different Procedure phases, starting from its adoption, the number of directors who voted against or abstained, and (ii) the possible scenarios depending on the results of the Shareholders' Meeting votes ("<b>Explanatory Report</b>").</li> </ul>
<b>List approval and publication</b>	<p>The <b>Board of Directors shall:</b></p> <ul style="list-style-type: none"> <li>➤ assess the Short List submitted by the <i>Committee</i>;</li> <li>➤ approve the list deemed optimal and the Explanatory Report;</li> <li>➤ publish the list and Explanatory Report within the deadlines.</li> </ul>



## PARTIES INVOLVED IN THE PROCEDURE (I/II)

PARTY	MAIN ROLES AND RESPONSIBILITIES
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>➤ initiates the activities referred to in the Procedure and activates the Committee;</li> <li>➤ assesses the possible replacement of Committee members with a Lead Independent Director or other independent directors under Legislative Decree no. 24 February 1998, no. 58 and the Code;</li> <li>➤ chooses the Head-hunting Consultant</li> <li>➤ resolves on the Selection Criteria;</li> <li>➤ assesses the Short List submitted by the Committee;</li> <li>➤ approves the final list and Explanatory Report;</li> <li>➤ publishes the list and Explanatory Report.</li> </ul>
<b>Committee</b>	<ul style="list-style-type: none"> <li>➤ supports the Board of Directors in preparing the list;</li> <li>➤ identifies possible candidates for the Head-hunting consultant role to be submitted to the Board of Directors;</li> <li>➤ formulates a proposal for selection criteria for the search and selection of candidates to be submitted to the Board of Directors;</li> <li>➤ analyses the Long List of candidates prepared with the support of the Head-hunting consultant;</li> <li>➤ interviews candidates with the support of <i>the Head-hunting</i> consultant, if necessary;</li> <li>➤ identifies a Short List of candidates to be submitted to the Board of Directors, after verifying compliance with the requirements, independence, Guidelines and applicable regulations;</li> <li>➤ prepares the Explanatory Report.</li> </ul>

## PARTIES INVOLVED IN THE PROCEDURE (II/II)



PARTY	MAIN ROLES AND RESPONSIBILITIES
<b>Committee Chairman (possibly assisted by a Lead Independent Director or other Independent Director)</b>	<ul style="list-style-type: none"> <li>➤ coordinates any consultation with shareholders;</li> <li>➤ supervises and coordinates the list preparation, ensuring transparency and objectivity;</li> <li>➤ supports the Committee during the various process phases.</li> </ul>
<b>Head-hunting consultant</b>	<ul style="list-style-type: none"> <li>➤ supports the Committee in defining the selection criteria for the search and selection of candidates to be submitted to the Board of Directors;</li> <li>➤ supports the Committee in the search and selection of potential candidates and in conducting interviews;</li> <li>➤ they collect documentation necessary to assess the requirements for the appointment of a Sabaf director;</li> <li>➤ supports the Committee in preparing the Long List of candidates to be submitted to the Board of Directors.</li> </ul>



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- <sup>i</sup> Art 2391 of the Italian Civil Code **Directors' Interests** – 1) The director must inform the other directors and board of statutory auditors of any interest that they have in a company transaction either on their own or on behalf of a third-party, specifying its nature, terms, origin and scope. If they are CEOs, they must refrain from carrying out the transaction, if the company is a sole director, they must give notice at the first shareholders' meeting.
- 2) In the cases outlined in the previous paragraph, the resolution of the board of directors must adequately justify the transaction's reasons and convenience for the company.
- 3) If there is non-compliance with the provisions of the two previous paragraphs of this article or if resolutions of the board or executive committee adopted with the decisive vote of the director concerned, cause damage to the company, they may be challenged by the directors and the board of statutory auditors within 90 days of their date. An appeal may not be lodged by a person who has consented to the resolution with their vote if the reporting obligations outlined in the first paragraph have been followed. The rights acquired in good faith by third parties based on the resolution performance are unaffected.
- 4) The director shall be liable for any damage caused to the company by their acts or omissions.
- 5) The director shall be liable for any damage caused to the company by using data, information or business opportunities for their own or a third-party's benefit and acquired while performing their office.