

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

Pursuant to Article 123-*bis* of the TUF

Traditional model of management and control  
Name of Issuer: SABAF S.p.A.  
Website: [www.sabafgroup.com](http://www.sabafgroup.com)  
Report financial year: 2021  
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## GLOSSARY

**Shareholders' Meeting:** the Shareholders' Meeting of Sabaf S.p.A.

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

**CG Code /Code:** the Corporate Governance Code for Listed Companies approved in January 2020 by the Corporate Governance Committee.

**Committee/CG Committee/Corporate Governance Committee:** the Italian Committee for Corporate Governance of listed companies, promoted not only by Borsa Italiana S.p.A., but also by ABI, Ania, Assogestioni, Assonime and Confindustria.

**Board of Directors:** the Board of Directors of Sabaf S.p.A.

**Issuer:** Sabaf S.p.A, i.e. the issuer of transferable securities to which the Report refers.

**Financial year:** the 2021 financial year to which the Report refers.

**Group:** the Sabaf Group (Sabaf S.p.A. and its subsidiaries).

**Savings Law/Law 262/2005:** Law 262 of 28 December 2005 concerning "Provisions for the protection of savings and regulation of financial markets".

**Stock Exchange Regulations:** the Regulations of Markets organised and managed by Borsa Italiana S.p.A.

**Consob Issuers' Regulation:** the Regulations issued by Consob pursuant to Resolution 11971 of 1999 (as successively amended) on issuers.

**Consob Markets' Regulation:** the Regulations issued by Consob pursuant to Resolution 20249 of 2017 on markets.

**Consob Related Party Regulation:** the Regulations issued by Consob pursuant to resolution 17221 of 12 March 2010 (as successively amended) on related party transactions.

**Report:** the report on corporate governance and ownership structure that companies must prepare and publish pursuant to Art. 123-*bis* of the TUF.

**Remuneration Report:** the report on remuneration policy and remuneration paid that companies are required to draw up and publish pursuant to Art. 123-ter TUF and Art. 84-*quater* Consob Issuers' Regulations.

**Company:** Sabaf S.p.A., hereinafter also referred to as Sabaf.

**Articles of Association:** the Articles of Association approved by the Shareholders' Meeting of Sabaf S.p.A.

**Testo Unico della Finanza/TUF:** Legislative Decree 58 of 24 February 1998.

Unless otherwise specified, the definitions in the CG Code relating to: directors, executive directors, independent directors, significant shareholder, chief executive officer (CEO), board of directors, control body, business plan, concentrated ownership company, large company, sustainable success, top management shall also be referred to by reference.

## 1. ISSUER PROFILE

The entrepreneurial model of Sabaf S.p.A. is rendered explicit in its corporate vision, i.e. to combine business decisions and results with ethical values by going beyond family capitalism and opting for a managerial rationale oriented not only towards the creation of value but also towards the respect of values.

Since its listing on the stock exchange in 1998, the corporate governance model of Sabaf has been based on a strict separation between the shareholding structure and management of the Company and of the Group.

The constant alignment with the reference recommendations and best practices in terms of corporate governance confirms the choice of adopting a corporate governance system that considers the creation of sustainable value as the reference parameter for the work of the Directors.

As a further step along this path, Sabaf's management believes that ethics founded on the centrality of the individual and respect for common values, set at the head of the creation of value, are able to help take decisions that are in line with the corporate culture and significantly contribute to assuring the Company's sustainable long-term growth.

For this purpose, Sabaf has prepared and published the Charter of Values, prepared in accordance with the existing national and international regulatory principles, guidelines and documents with regard to human rights of corporate social responsibility and corporate governance. The document is the governance tool through which Sabaf clearly explains the Company's values, standards of behaviour and commitments in relations with all the stakeholders – shareholders, employees, customers, suppliers, lenders, the Public Administration, the community and the environment.

The latest version of the Charter of Values was approved by the Board of Directors on 11 February 2014 and is available on the website [www.sabafgroup.com](http://www.sabafgroup.com) under the section "Sustainability".

In line with the Company's "vision", the company's "Mission" and in accordance with the Charter of Values, the strategic and operational decisions implemented by the Sabaf Group are intended to ensure sustainable development, by balancing business and financial requirements with social and environmental needs. The contents of the Sabaf Group's Vision, Mission and approach to sustainable development are set out in the Non-Financial Statement published pursuant to Legislative Decree No. 254/2016 and available on the website [www.sabafgroup.com](http://www.sabafgroup.com) in the "Sustainability" section.

### **Role of the Board of Directors**

The Board of Directors is the central body of Sabaf's Corporate Governance system and has the power and duty to direct the Company in the pursuit of sustainable success, understood as the objective of creating long-term value for the benefit of the shareholders, taking into account the interests of the Company's other stakeholders. This is also referred to in the company's "Mission", in which sustainable development is promoted by balancing economic and financial requirements with those related to the social and environmental dimension. In the pursuit of sustainable success, the Board ensures compliance with the values, principles of conduct and commitments stated in the Charter of Values adopted by Sabaf. To this end, it shall take all decisions required or useful to implement the object of the Company.

The ways in which the objective of sustainable success is integrated into the company strategies and the internal control and risk management system are described in Section 4.1 and Section 9 of the Report, respectively.

For sustainability issues, the Board of Directors is supported by a Board committee called the Control, Risk and Sustainability Committee (hereinafter also referred to as "CRSC"), established in 2021 by the Board, whose role is described in detail in Section 9.2 of this Report.

Sabaf S.p.A. prepares and publishes at the same time as this Report the 2021 Non-Financial Statement pursuant to Legislative Decree 254/2016, which is available on the website [www.sabafgroup.com](http://www.sabafgroup.com) in the "Sustainability" section.

Sabaf S.p.A. qualifies as an SME pursuant to Art. 1, paragraph 1, letter w-quater.1) of the TUF and Art. 2-ter of the Consob Regulation on Issuers. The market capitalisation of Sabaf S.p.A. at 31 December 2021 was €276.8 million.

Sabaf S.p.A. does not fall within the Code's definitions of "large company" and/or "concentrated ownership company".

### **Sabaf S.p.A. management and control model**

Sabaf has adopted a traditional management and control model, consisting of:

- a Board of Directors in charge of company administration and management of Company operations;
- the Board of Statutory Auditors in charge of supervising:
  - compliance with the Law and Articles of Association and adherence to principles of proper management in the performance of corporate activities;
  - the adequacy of the Company's organisational structure, internal control and risk management system, and administrative/accounting system;
  - the procedures for effective implementation of the corporate governance rules envisaged in the Code;
  - risk management;
  - the external audit of the accounts and the independence of the auditing firm;
- Shareholders' Meetings (ordinary and extraordinary) called to pass resolutions pursuant to the laws in force and the Company's Articles of Association (refer to these for details).

## 2. INFORMATION on the OWNERSHIP STRUCTURES (pursuant to Art. 123-bis, (1), TUF) on 22 March 2022

### a) Structure of the share capital (pursuant to Art. 123-bis (1)(a) TUF)

The share capital of Sabaf S.p.A., fully subscribed and paid, is €11,533,450 and composed of 11,533,450 ordinary shares with a nominal value of €1.00 per share, of which 3,618,028 shares with increased voting rights.

The Company has not issued other financial instruments that grant the right to subscribed new issue shares.

The structure of the share capital is shown in the table below.

TABLE 1 - STRUCTURE OF THE SHARE CAPITAL

<i>STRUCTURE OF THE SHARE CAPITAL</i>				
	<b>No. of shares</b>	<b>No. of voting rights</b>	<b>Listed/unlisted</b>	<b>Rights and obligations</b>
Ordinary shares (ISIN IT0001042610)	7,915,422	7,915,422	MTA listed	--
Ordinary shares with increased vote (ISIN IT0005253338)	3,618,028	7,236,056	MTA listed	Two voting rights per share
<b>TOTAL</b>	<b>11,533,450</b>	<b>15,151,478</b>		

### b) Restrictions on the transfer of financial instruments (pursuant to Art. 123-bis (1)(b) TUF)

There are no restrictions on the transfer of financial instruments.

### c) Major shareholdings (pursuant to Art. 123-bis (1)(c) TUF)

On the basis of the disclosures made pursuant to Art. 120 of the TUF and the other information available to the Company at the date of this report, holders of voting rights owning more than 5% are listed as follows:

TABLE 2 - MAJOR SHAREHOLDINGS

<b>MAJOR SHAREHOLDINGS</b>			
<b>Declarant</b>	<b>Direct shareholder</b>	<b>% share of ordinary share capital</b>	<b>% share of voting share capital</b>
Cinzia Saleri S.a.p.A.	Cinzia Saleri S.a.p.A.	20.94%	15.94%
Quaestio Capital SGR S.p.A.	Quaestio Italian Growth	20.00%	30.45%
Bulgarelli Claudio	Fintel S.r.l.	7.66%	11.44%
Paloma Co Ltd	Paloma Rheem Investments	4.95%	6.81%

**d) Financial instruments granting special rights** (pursuant to Art. 123-*bis* (1)(d) TUF)

On 28 April 2016, the Shareholders' Meeting approved the amendment of the Sabaf Articles of Association, with the introduction of the "increase of voting rights" pursuant to Art. 127-*quinquies* of Legislative Decree 58/1998, through the insertion of the new Arts. 5-*bis*, 5-*ter* and 5-*quater*, subsequently amended by resolution of the Shareholders' Meeting of 4 May 2020.

In particular, the attribution of two votes is provided for each ordinary share held on a permanent basis for at least twenty-four (24) months from the date of effectiveness of the enrolment in the "Special List" (referred to in Art. 5-*quater* of the Articles of Association). This list includes - at their request - the subjects who have requested the increase of the voting rights.

The introduction of the increased voting rights derives from the desire of the Company to encourage investment in the medium-long term, ensuring the stability of the shareholding structure.

Through the mandate of the Shareholders' Meeting on 9 June 2016, the Board of Directors of the Company resolved on the adoption of a regulation for the management of the special list, subsequently amended on 12 May 2020, consistent with the amendments to the Articles of Association resolved by the Extraordinary Shareholders' Meeting of 4 May 2020. Amendments and additions to the regulations are approved by the Board of Directors and made public through publication on the Company's website at [www.sabafgroup.com](http://www.sabafgroup.com), under the section "Investors - Corporate Governance".



At the date of this report, the following shareholders with holdings greater than 5% are enrolled in the Special List and have been granted a bonus:

Parent company	Shareholder	Number of shares enrolled	% of share capital	Enrolment date	Total voting rights	% voting rights
Quaestio Holding S.A.	Quaestio Italian Growth Fund	2,306,690	20.00%	01/08/2016	4,613,380	30.45%
Bulgarelli Claudio	Fintel S.r.l.	850,000	7.37%	12/04/2018	1,700,000	11.22%
Paloma Co Ltd	Paloma Rheem Investments	461,338	4.00%	13/02/2020	922,676	6.09%

The following shareholders have requested the increase for which the deadlines have not yet expired and are registered in the Special List at the date of this report:

Parent company	Shareholder	Number of shares enrolled	% of share capital	Enrolment date	Total voting rights	% voting rights
Cinzia Saleri	Cinzia Saleri S.p.A.	2,415,644	20.94%	04/01/2021	2,415,644	15.94%

**e) Employee stock plans: mechanism for the exercise of voting rights** (pursuant to Art. 123-*bis* (1)(e) TUF)

No mechanisms for the exercise of voting rights by employee shareholders exist.

**f) Restrictions on voting rights** (pursuant to Art. 123-*bis* (1)(f) TUF)

There are no restrictions on voting rights.

**g) Shareholders' agreements** (pursuant to Art. 123-*bis* (1)(g) TUF)

There are no shareholders' agreements pursuant to Art. 122 of the TUF.

**h) Change of control clauses** (pursuant to Art. 123-*bis* (1)(h) TUF) **and statutory provisions for takeovers** (pursuant to Arts. 104, (1-*ter*), and 104-*bis*, (1))

Sabaf S.p.A.'s subsidiaries did not sign any agreements that take effect, are amended or are invalidated by the change of control of the contracting company.

The Company's Articles of Association do not make provisions for exemptions with regard to company takeover on the passivity rule pursuant to Art. 104, paragraph 1-*ter* of the TUF or the application of the rules pursuant to Art. 104-*bis*, paragraph 1 of the TUF.

**i) Delegations of powers for recapitalisation and authorisations for buyback of treasury stock** (pursuant to Art. 123-*bis*, (1)(m) TUF)

The Shareholders' Meeting of Sabaf SpA, during the meeting of 4 May 2020, resolved:

- to assign to the Board of Directors the power, pursuant to Art. 2443 of the Italian Civil Code, to increase the share capital against payment, all at once or in multiple instalments and through splitting shares, no later than 4 May 2025, with the exclusion of the right of option pursuant to Art. 2441, paragraph 4, second sentence, of the Italian Civil Code, granting to the Board of Directors of Sabaf, with express authority of delegating to one or more of its members, powers to implement the resolution.

The Shareholders' Meeting of Sabaf SpA, during the meeting of 6 May 2021, resolved:

- to authorise a programme of buyback of treasury shares with a duration of 18 months and, at the same time, to withdraw, for the part not yet executed, the resolution to purchase and sell treasury shares passed during the Ordinary Shareholders' Meeting held on 4 May 2020. The Shareholders' Meeting approved the possibility of organising the treasury shares on a rolling basis, establishing limits and conditions.

For details concerning the above resolution, see the Shareholders' Meeting minutes of 6 May 2021 available on the company website [www.sabafgroup.com](http://www.sabafgroup.com), under the section "Investors - Events and Presentations - Shareholders' Meetings".

At 31 December 2021, the Company is the lawful owner of 311,802 treasury shares, equal to 2.703% of the share capital.

## **I) Management and coordination activities** (pursuant to Art. 2497 et seq. of the Italian Civil Code.)

Sabaf S.p.A. is not subject to management and coordination by other subjects.

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Note that:

- the information required by Art. 123-bis (1)(i) ("*agreements between companies and directors ... which envisage indemnities in the event of resignation or dismissal without just cause, or if their employment contract terminates as the result of a takeover bid*"), are contained in the remuneration section of the Report (Section 8);
- the information required pursuant to Article 123-bis (1)(l) ("*rules applying to the appointment and replacement of directors ... and to amendments to the Articles of Association if different from those applied as a supplementary measure*") are illustrated in the section of this Report dedicated to the Board of Directors (Section 4);
- the information required by Article 123-bis, (1)(l), second part ("*the rules applicable ... to the amendment of the articles of association, if different from those applied as a supplementary measure*") is illustrated in the section of the Report dedicated to the shareholders' meeting (Section 13).

### **3. COMPLIANCE (pursuant to Art. 123-bis, (2)(a) TUF)**

In 2006, the Company adhered to the Corporate Governance Code approved by the Corporate Governance Committee (available to the public on the website of the Corporate Governance Committee at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2020clean.pdf>).

The Board of Directors of Sabaf S.p.A. confirmed the Company's adhesion to the Code also by adopting a Corporate Governance Manual. This manual sets forth the principles, rules and operating procedures that will enable the Company to comply with the Code's recommendations.

This Corporate Governance Manual, adopted by Board resolution of 19 December 2006, has been updated several times over the years in order to reflect changes in laws, regulations and self-regulation regarding corporate governance, as well as additional best practices adopted by the Company over time. The latest version of the document, approved by the Board of Directors on 16 December 2021, is available on the Company website, at [www.sabafgroup.com](http://www.sabafgroup.com) under the section "Investors - Corporate Governance".

The Corporate Governance Manual of Sabaf S.p.A. includes some operating guidelines, also approved by the Board of Directors, prepared for the purpose of the correct performance of the activities pertaining to Sabaf's management and control bodies. More specifically, the guidelines regulate:

- the self-assessment process of the Board of Directors of the Issuer;
- the assessment by the Board of Directors of the adequacy of the Internal Control and Risk Management System;
- the management of significant operations in which directors have an interest;
- the means of compliance with disclosure obligations to Statutory Auditors, pursuant to Art. 150 of the TUF;
- the process of periodic Group risk assessments;
- the assignment of professional mandates to the independent auditors;
- the management, coordination and control of Group subsidiaries.

Please note that this report on corporate governance and ownership structure is made available on the Company website at: [www.sabafgroup.com](http://www.sabafgroup.com) under the section "Investors - Corporate Governance".

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Sabaf S.p.A. and its subsidiaries are not subject to foreign laws that might have an impact on the corporate governance structure.

## **4. BOARD OF DIRECTORS**

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

The Board of Directors is the central body of Sabaf's Corporate Governance system and has the power and duty to direct the Company in the pursuit of sustainable success, understood as the objective of creating long-term value for the benefit of the shareholders, taking into account the interests of the Company's other stakeholders. This is also referred to in the company's mission statement, in which sustainable development is promoted by balancing economic and financial requirements with those related to the social and environmental dimension. In the pursuit of sustainable success, the Board ensures compliance with the values, principles of conduct and commitments stated in the Charter of Values. To this end, it shall take all decisions required or useful to implement the object of the Company. Sabaf has always integrated social and environmental topics into the Group's strategy and, as such, are the responsibility of the Board of Directors.

#### **Definition of strategies, review and approval of the Company's plans**

The Board of Directors defines the strategic guidelines of the Company and the Group consistent with the pursuit of the goal of sustainable success.

The Board of Directors examines and approves the Group's three-year Business Plan, which is drawn up on a consolidated basis in accordance with the strategic guidelines, and periodically monitors its implementation.

At its meeting of 23 March 2021, the Board approved the 2021-2023 Business Plan, which sets out economic, financial and sustainability targets.

Moreover, the Board of Directors annually approves the materiality analysis relating to non-financial topics that are relevant and therefore subject to reporting, including sustainable development issues to be taken into account for the preparation of the Disclosure of non-financial information.

#### **Monitoring the implementation of plans, assessment of general management performance and reporting by the delegated bodies**

On a quarterly basis, the Board of Directors compares the results achieved with those planned, which can be deduced from the annual budget approved by the BoD by the end of the previous financial year. This takes place on the occasion of the approval of the financial statements for the period and thus, in 2021 at the meetings of 11 February 2021, 13 May 2021, 3 August 2021 and 11 November 2021. In this area, management performance, key economic and financial indicators, including sustainability indicators, are analysed and changes in relation to budget objectives are commented on.

On these occasions, the Chief Executive Officer also reports to the Board on the activities carried out and the main operations performed by the Company and its subsidiaries, supporting the information with a presentation.

#### **Definition of Group corporate governance and structure**

As part of its powers, the Board of Directors defines the corporate governance system of Sabaf and the Group that is most suitable for carrying out its activities and pursuing its strategic objectives, taking into account the spaces of autonomy offered by the law. If

circumstances make it necessary, the Board of Directors shall assess and promote the appropriate changes and submit them, where applicable, to the shareholders' meeting. During 2021, the Board of Directors did not deem it necessary to draw up proposals aimed at defining a different corporate governance system, as it believes that:

- the current model is adequate and functional to the company's requirements, as it accurately identifies the tasks and responsibilities of the management and control bodies;
- the Board operates efficiently, as also shown by the outcome of the last self-assessment, to the paragraph of which reference is made for comments;
- the disclosure and behaviour requirements to which the Company is subject ensure transparent management of the business in line with best practice.

#### **Guidelines and assessment of the adequacy of the internal control and risk management system**

The Board plays a role in guiding and assessing the adequacy of the internal control and risk management system, being primarily responsible for determining and pursuing the strategic objectives of Sabaf and the Group. On this point, please refer to what is specified in the paragraph "Internal Control and Risk Management System".

#### **Dialogue with shareholders and other stakeholders relevant to the Company**

The Company has always considered the establishment and maintenance of transparent and continuous communication with all the Shareholders and the market to be of the utmost importance. In this perspective, the Board of Directors adopted the Policy for the Management of Dialogue with Shareholders on 10 February 2022. See Section 12 of the Report for details.

#### **Tasks of the Board of Directors**

Without prejudice to its exclusive responsibilities in the matters provided for by law (art. 2381 Italian Civil Code) and by the Articles of Association (art. 15), the Board of Directors has the following tasks:

- a) examining and approving the strategic, industrial and financial multi-year plans and the budget of the Company and the Group, consistent with its objectives of sustainable success, with the possible support of its board committees, periodically monitoring their implementation through the information received from the delegated bodies;
- b) defining the nature and the level of risk compatible with Sabaf's strategic objectives, including in its assessments all risks that may be relevant to the sustainable success of the Company and the medium to long-term sustainability of Sabaf's business;
- c) assessing the adequacy of Sabaf's organisational, administrative and accounting structure, as well as that of its strategically important subsidiaries, with a special reference to the internal control and risk management system;
- d) establishing the frequency, not beyond the quarter, by means of which the delegated bodies must report to the Board on the activities carried out in exercising the powers conferred on them;
- e) assessing the general management performance, taking into account, in particular, the information received from the delegated bodies and the corporate functions in charge of controlling the Company and its strategically important subsidiaries, as well as periodically comparing the results achieved with those planned. Strategically significant subsidiaries are defined as subsidiaries representing at least 25% of the

Group's total assets or shareholders' equity or pre-tax profit, as well as subsidiaries, identified by the Board of Directors, which, even below these thresholds, contribute to the development and achievement of the Group's strategic policies and plans;

- f) passing resolutions on ordinary or extraordinary transactions of Sabaf and its subsidiaries that might have a material impact on its assets, liabilities, operating results, financial position and strategy, especially if entailing a potential conflict of interest. To this end, the Board defines the general criteria for identifying significant transactions, as well as for managing situations of potential conflict of interest;
- g) carrying out, at least every three years, an assessment concerning the size, composition and actual operation of the Board of Directors and its Committees, also taking into account the role it has played in defining strategies and monitoring management performance and the adequacy of the internal control and risk management system, as well as the professional characteristics, experience (including managerial experience), gender and length of service of each member. This assessment is carried out through formalised procedures whose implementation is supervised by the Board of Directors itself. In this regard, the Board of Directors of the Company opts for the self-assessment of individual Directors through the distribution, compilation, collection and processing of questionnaires and the subsequent discussion in the Board of Directors of the results obtained, in order to identify any elements for improvement;
- h) taking into account the results of the assessment referred to in point g), expressing to the shareholders, prior to the appointment of the new Board, guidelines on the managerial and professional figures whose presence on the Board is deemed appropriate, also considering the diversity criteria adopted by the Company;
- i) assessing, at the time of appointment and in any case periodically, once a year, the existence (or permanence) of the requirements of independence of Directors qualified as independent;
- j) setting up Committees within the Board, defining their composition and operating procedures and assigning their tasks and responsibilities;
- k) defining, with the support of the Remuneration and Nomination Committee, and approving the policy for the remuneration of Directors and managers with strategic responsibilities;
- l) examining, having received the reasoned opinion of the Control, Risk and Sustainability Committee in its capacity as Related Party Committee, and approving related party transactions in a reasoned manner, specifying the reasons for such transactions as well as the convenience and substantial fairness of the terms of the transaction for the Company;
- m) assessing and approving the periodic reporting documentation required by the regulations in force;
- n) considering whether to adopt a succession plan for Executive directors, taking into account the results of the directors' self-assessment on the subject;
- o) appointing and dismissing, at the suggestion of the Chairman, the Secretary of the Body, defining his professional requirements and powers;
- p) preparing, if deemed necessary to define a corporate governance system that is more functional to the company's requirements, reasoned proposals to be submitted to the shareholders' meeting concerning: the choice and characteristics of the corporate model, the structure of the administrative and equity rights of the shares and the

percentages established for the exercise of the rights provided to protect minority shareholders;

- q) adopting and describing in the Corporate Governance Report a policy, proposed by the Chairman and formulated in agreement with the Chief Executive Officer, for managing dialogue with all shareholders, also taking into account the engagement policies adopted by institutional investors and active managers.
- r) expressing, in view of each renewal of the Board of Directors, an indication on its optimal quantitative and qualitative composition, taking into account the results of the self-assessment;
- s) defining the principles concerning coordination and information flows between the various parties involved in the internal control and risk management system in order to maximise the efficiency of the system itself, reduce duplication of activities and ensure effective performance of the tasks of the control body;
- t) defining the rules and procedures for its operation.

As part of the Company's internal control and risk management system, the Board of Directors, with the support of the Control, Risk and Sustainability Committee, is responsible for:

- a) defining, subject to the opinion of the Control, Risk and Sustainability Committee, the guidelines for the internal control and risk management system, so that the main risks affecting Sabaf and its strategically important subsidiaries are correctly identified, as well as adequately measured, managed and monitored, also determining to what extent such risks are compatible with the business's management in line with its identified strategic objectives;
- b) as part of the responsibilities for assessing the adequacy of the organisational, administrative and accounting structures referred to in the previous paragraphs, assessing, subject to the opinion of the Control, Risk and Sustainability Committee and at least once a year, the adequacy and effectiveness of the internal control and risk management system in relation to the characteristics of the company and the risk profile assumed;
- c) identifying one or more Directors responsible for setting up and maintaining an effective internal control and risk management system (known as the "Director in charge of the Internal Control and Risk Management System");
- d) appointing and dismissing, at the suggestions of the Director in charge of the Internal Control and Risk Management System and subject to the favourable opinion of the Control, Risk and Sustainability Committee, as well as after consulting the Board of Statutory Auditors, the Head of Internal Audit, ensuring that he is provided with adequate resources to carry out his responsibilities and also defining his remuneration in line with corporate policies; if it is decided to entrust the internal audit function to a person external to the company, the Board of Directors, with the support of the Control, Risk and Sustainability Committee, shall ensure that this person has adequate requirements of professionalism, independence and organisation and shall provide adequate reasons for this choice in the Corporate Governance Report;
- e) approving, subject to the opinion of the Control, Risk and Sustainability Committee and at least once a year, the work plan prepared by the Head of Internal Audit, after consulting the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System;

- f) describing, in the report on corporate governance, the main features of the internal control and risk management system and the methods of coordination between the subjects involved in it, indicating the national and international best practice models of reference, expressing, subject to the opinion of the Control, Risk and Sustainability Committee, its own assessment on its adequacy;
- g) assessing, subject to the opinion of the Control, Risk and Sustainability Committee and after consulting the Board of Statutory Auditors, the results set out by the external auditor in the letter of suggestions, if any, and in the report on key issues arising from the external audit;
- h) approving, after obtaining the opinion of the Control, Risk and Sustainability Committee, the procedure for regulating related party transactions prepared in implementation of the Regulation containing provisions on related transactions, adopted by CONSOB Resolution 12771 as amended and supplemented (hereinafter also "Consob Related Party Regulation") and subsequent versions;
- i) adopting, at the suggestion of the Chief Executive Officer or the Chairman of the Board of Directors, a procedure for the internal management and external communication of documents and information concerning Sabaf, with a special reference to inside information, as well as its updates, in order to ensure the proper management of corporate information;
- j) adopting the Charter of Values, the Corporate Governance Manual, the Company's Organisation, Management and Control Model pursuant to Legislative Decree 231/2001, and Sabaf's other Corporate Governance procedures, and making any relevant amendments and additions, as well as, where deemed appropriate, extending them to its subsidiaries;
- k) appointing the Supervisory Body to which the supervisory functions under Art. 6(1)(b) of Legislative Decree 231/2001 are assigned, giving an account of the choices made regarding the composition of the appointed Supervisory Body.<sup>1</sup> If the body does not coincide with the Board of Statutory Auditors, the Board of Directors shall assess the advisability of appointing to the body at least one non-executive director and/or one member of the control body and/or the holder of the company's legal or control functions, in order to ensure coordination among the various persons involved in the internal control and risk management system;
- l) assessing the advisability of adopting measures to ensure the effectiveness and impartiality of judgement of the other corporate functions involved in the controls (such as risk management and legal and non-compliance risk monitoring functions), making sure that they have adequate professionalism and resources.

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<sup>1</sup> Among the members of the Supervisory Body, the Company envisaged the Head of Internal Audit in order to ensure coordination between the various entities involved in the internal control and risk management system.



## **4.2. APPOINTMENT AND REPLACEMENT (pursuant to Art. 123-bis (1)(I) TUF)**

According to the Articles of Association, directors hold office for the period established at the time of their appointment, but in any case, for not more than three years, and may be re-elected.

In particular, the Articles of Association envisage that:

- the Company is managed by a Board of Directors consisting of 3 (three) to 15 (fifteen) members at the option of the Shareholders' Meeting;
- the Board of Directors is appointed on the basis of lists submitted by the holders of voting rights who, alone or together with other holders of voting rights, hold at least 2.5% of the share capital with the voting rights in the resolutions of the Shareholders' Meeting that relate to the appointment of the members of the Board of Directors, or the different stake determined pursuant to Art. 144-*quater* of the Consob regulation. In the notice convening the Shareholders' Meeting called to decide on the appointment of directors, the minimum share threshold for the submission of the lists is indicated;
- for the purpose of allocating the directors to be elected, lists which do not obtain a percentage of the votes amounting to at least half the percentage required by the Company Articles of Association for submission of lists will not be taken into account;
- based on the requirements of Art. 147-*ter*, (1)-*ter*, of the TUF, each list that has three or more candidates must have a number of candidates belonging to the less represented gender that ensures, under the scope of said list, that the balance between the genders is complied with to at least the minimum required under the law pro tempore in force.
- as required by Art.147-*ter*, (3) TUF, to ensure the election of at least one minority Director: (i) from the list that has obtained the majority of votes cast are drawn, in progressive order, from the list, a number of Directors equal to the number of directors to be elected minus two; (ii) the two remaining directors are drawn, the first from the second most voted list, and the second from the third most voted list respecting the progressive order and on condition that these lists are not mutually connected and that none of them is connected in any way (even indirectly) with the most voted list. For further details on this mechanism, please refer to the Articles of Association of the Company, available on the company's website at: [www.sabafgroup.com](http://www.sabafgroup.com) under the section "Investors - Corporate Governance".
- with reference to the requirements of Art. 147-*ter* (4) of the TUF, regarding the minimum number of independent Directors, at least one of the members of the Board of Directors, or at least two in case the Shareholders' Meeting has determined the number of members of the Board in more than seven, must meet the independence requirements established by the regulations applicable to the auditors of the companies listed on Italian regulated markets.

The Articles of Association establishes that the Board of Directors can submit a list in the manner and within the time limits envisaged for lists submitted by shareholders. Making use of this right, the Board of Directors, on the occasion of the renewal of the Board positions for the three-year period from 2021 to 2023, submitted its list of candidates to the Shareholders' Meeting of 6 May 2021. The proposed candidates had requirements that are consistent with the provisions of the "Policy on the composition of corporate bodies" approved by the Board of Directors on 11 February 2021 and published on the Company's website. The list proposed by the Board included 5 independent directors and 44% female directors.

### **4.3. COMPOSITION (pursuant to Art. 123-bis, (2)(d) and d-bis), TUF)**

On the occasion of the approval of the financial statements at 31 December 2020, approved by the Shareholders' Meeting of 6 May 2021, the mandates of the management and control bodies appointed by ordinary shareholders' resolution of 8 May 2018, for the 2018-2020 financial years, expired.

Therefore, the Shareholders' Meeting of 6 May 2021 was called upon to appoint the new Board of Directors, setting the number of members of the Board at 9 (nine) and the term of office at 3 (three) years (2021-2023 financial years). Based on the results of the shareholders' votes, the Board of Directors, appointed for the three-year period 2021 to 2023, is as follows: Claudio Bulgarelli (Chairman), Nicla Picchi (Vice Chairman), Pietro Iotti (Chief Executive Officer), Gianluca Beschi (Executive director), Alessandro Potestà, Cinzia Saleri, Carlo Scarpa, Daniela Toscani e Stefania Triva.

The non-executive directors are:

- Claudio Bulgarelli;
- Nicla Picchi (independent director);
- Alessandro Potestà;
- Cinzia Saleri;
- Carlo Scarpa (independent director);
- Daniela Toscani (independent director);
- Stefania Triva (independent director).

Sabaf's Board of Directors is made up of directors with the skills and professionalism appropriate to the tasks entrusted to them. In particular, with reference to the non-executive directors, the number (7 members out of a total of 9) and skills are such as to ensure that they have a significant weight in the passing of board resolutions and to guarantee effective monitoring of management. Note that a significant number of non-executive directors is independent (4 directors out of a total of 7 non-executive directors).

The Board of Directors at its meeting held on 11 February 2021 confirmed that the non-executive directors in office until the approval of the financial statements at 31 December 2020 (Nicla Picchi, Carlo Scarpa, Daniela Toscani and Stefania Triva) had fulfilled the independence requirements set forth by the TUF and the CG Code.

Moreover, following the new appointment of the administration and control bodies, the Board of Directors, at its meeting of 6 May 2021, confirmed that the non-executive directors Nicla Picchi, Carlo Scarpa, Daniela Toscani and Stefania Triva met the independence requirements of the TUF and the Corporate Governance Code of Listed Companies, and appointed Nicla Picchi as Lead Independent Director.

In its current composition, the Board of Directors of Sabaf meets the legal requirements regarding "Gender equality in the composition of boards of administration and control", as defined by the Consob regulation adopted through resolution no. 18098 of 8 February 2012

and Art. 147-ter, (1-ter) of the TUF according to the distribution criterion in force for the three-year period from 2021 to 2023<sup>2</sup>.

The main qualifications of the directors in office are listed below:

- *Claudio Bulgarelli*, holds important positions in other companies such as Fintel S.r.l. and Walvoil S.p.A.;
- *Nicla Picchi*, partner of the Law Firm Picchi & Associati of Brescia and independent director in important listed companies;
- *Pietro Iotti*, who held positions of increasing responsibility in several industrial companies, has been with Sabaf since 2017 and holds the position of Chief Executive Officer;
- *Gianluca Beschi*, who has been at Sabaf since 1997, CFO, as well as Investor Relator;
- *Alessandro Potestà*: Senior Portfolio Manager at Quaestio Capital Management SGR S.p.A.;
- *Cinzia Saleri*, Chairman of the Board of Directors of Cinzia Saleri S.a.p.A. and already director of Sabaf S.p.A. in the period from 2012 to 2018;
- *Carlo Scarpa*, university lecturer in economics;
- *Daniela Toscani*, held positions of responsibility at Borsa Italiana S.p.A., London Stock Exchange Group and Mittel S.p.A., and currently provides consultancy on Corporate finance transactions;
- *Stefania Triva*, holds the position of Chairman and Chief Executive Officer of Copan Italia S.p.A.

The full *curricula vitae* of all the directors are available for examination on the Company's website [www.sabafgroup.com](http://www.sabafgroup.com), under the section "Investors - Corporate Governance".

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<sup>2</sup> Paragraph 1-ter of Art. 147-ter of the TUF was amended by Art. 58 *sexies* (1) of Decree Law No. 124 of 26 October 2019, with the requirement that "the less represented gender must obtain at least two-fifths of the elected directors". Law No. 160 of 27 December 2019 laid down (with Art. 1, (paragraph 304) that "the allocation criterion of at least two-fifths envisaged by paragraphs 302 and 303 shall apply as from the first renewal of the administration and control bodies of companies listed on regulated markets following the date on which this law comes into force, without prejudice to the allocation criterion of at least one-fifth envisaged by Article 2 of Law No. 120 of 12 July 2011, for the first renewal following the date of commencement of trading".

**TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AT THE END OF THE REPORTING PERIOD**

Board of Directors													
Office	Components	Year of birth	Date of first appointment (*)	In office since	In office until	List (submitters) (**)	List (M/m) (***)	Exec.	Non-exec.	Indep. based on Code	Indep. based on TUF	No. of other offices (****)	Attendance (*****)
<b>Chairman</b>	Claudio Bulgarelli	21/05/1940	2018	06/05/2021	2023	BoD	M		X			0	12/12
<b>CEO and Chief Executive Officer •</b>	Pietro Iotti	25/06/1966	2017	06/05/2021	2023	BoD	M	X				0	12/12
<b>Vice Chairman ◦</b>	Nicla Picchi	12/07/1960	2012	06/05/2021	2023	BoD	M		X	X	X	2	11/12
<b>Director</b>	Gianluca Beschi	11/12/1968	2015	06/05/2021	2023	BoD	M	X				0	12/12
<b>Director</b>	Alessandro Potestà	16/01/1968	2016	06/05/2021	2023	BoD	M		X			3	11/12
<b>Director</b>	Carlo Scarpa	11/03/1961	2019	06/05/2021	2023	Shareholders	m		X	X	X	1	12/12
<b>Director</b>	Daniela Toscani	12/09/1963	2018	06/05/2021	2023	BoD	M		X	X	X	1	12/12
<b>Director</b>	Stefania Triva	07/10/1964	2018	06/05/2021	2023	BoD	M		X	X	X	1	11/12
<b>Director</b>	Cinzia Saleri	18/12/1961	2012	06/05/2021	2023	Shareholders	m		X			2	8/9
----- DIRECTORS NO LONGER IN OFFICE DURING THE YEAR -----													
<b>Director</b>	Giuseppe Saleri	21/03/1931	1993	08/05/2018	2021	Shareholders	M	X				0	1/3
<b>Number of meetings held during the year under review:</b>										12			
<b>Quorum required for the presentation of lists by minorities for the election of one or more members (pursuant to Art. 147-ter TUF):</b>										<i>2.5% of the share capital with voting rights at the Ordinary Shareholders' Meeting</i>			

**NOTES**

- Director in charge of the internal control and risk management system
- Lead Independent Director (LID)
- (\*) The date each director was first appointed refers to the date on which the director was appointed for the first time (ever) by the BoD of the Company.
- (\*\*) This column indicates whether the list from which each director was drawn was presented by shareholders (indicating "Shareholders") or by the BoD (indicating "BoD").
- (\*\*\*) This column indicates whether the list from which each director was drawn is "majority" (indicating "M"), or "minority" (indicating "m").
- (\*\*\*\*) This column indicates the number of director or auditor offices held by the party in question in other listed or large companies.

(\*\*\*\*\*) This column indicates the attendance of directors at BoD meetings (indicate the number of meetings attended out of the total number of meetings that could have been attended: e.g. 6/8; 8/8 etc.).

### **Diversity criteria and policies in Board composition and business organisation**

On 11 February 2021, the Board of Directors of Sabaf S.p.A., at the suggestion of the Remuneration and Nomination Committee and in compliance with the provisions of Recommendation No. 23 of the new Corporate Governance Code, updated the Policy on the composition of Corporate Bodies.

This Policy sets out the Company's guidelines on the characteristics considered functional to ensuring an optimal composition of the corporate bodies (Board of Directors and Board of Statutory Auditors), also in terms of skills and professionalism, with the aim of guiding the names put forward by the Shareholders when renewing the Corporate Bodies, as well as by the outgoing Board of Directors, if it plans to submit its own list for the appointment of the Board of Directors, so that the benefits that can derive from a balanced composition of the Board and Board of Statutory Auditors inspired by criteria of diversity are taken into consideration. In addition to the provisions of the Laws in force and of Sabaf's Articles of Association, the Policy sets out the characteristics and factors considered necessary for the Board of Directors to be able to carry out its assigned tasks more efficiently, take decisions thanks to the contribution of a number of qualified points of view and examine the issues under discussion from different perspectives, also within the framework of the internal board committees established from time to time. Specifically:

- **Independence.** An optimal composition of the Board of Directors is characterised by the presence of non-executive and independent Directors, such as to ensure that their opinion can have a significant impact on the Board's decisions in terms of number, authority, competence and availability of time. Non-executive Directors contribute their specific competences to the board discussions, helping to take informed decisions and paying particular attention to areas where conflict of interest may occur. All independent Directors must meet the independence requirements envisaged by law and by the Corporate Governance Code.

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

- **Training and professional experience.** The Company believes that for an optimal composition of the Board of Directors there must be a mix of professionalism and experience suitable to understand the current management, risks and opportunities of the company, in order to guide and adequately support the Sabaf Group in a long-term sustainable growth. In particular, Sabaf considers the following skills and experience to be fundamental:
  - legal and corporate, also with reference to the legislative and regulatory aspects important for listed companies;
  - economic and financial, ability to analyse and interpret financial statement data prepared in accordance with international accounting standards and to evaluate extraordinary transactions;
  - business and managerial, in the sector in which the Group operates or in adjacent sectors, in the management of international companies, in merger and acquisition transactions;
  - on economic, social and environmental sustainability.
- **Gender.** In addition to the law provisions on gender distribution, it is considered essential to create and maintain a gender balance within the management body, ensuring that at least two fifths of the Board of Directors, both at the time of

appointment and during the term of office, is made up of Directors of the least represented gender.

- **Age and seniority in office.** With the aim of creating a balance between the need for continuity and renewal of management, it is considered useful to ensure a balanced combination of different seniorities in office - as well as age groups - within the Board of Directors.
- **Numbers.** Taking into account the characteristics described above (including diversity requirements and the presence of an adequate number of independent directors) and, at the same time, the need to ensure the effectiveness and efficiency of the Board's activities, a Board of Directors composed of nine or ten directors is considered to be adequate. Moreover, this plurality guarantees the possibility of setting up within the Board of Directors the Committees envisaged by the Corporate Governance Code.

Furthermore, the Policy stresses the need for all Directors to ensure that they have sufficient time to perform their duties diligently and, for this reason, refers to the guidelines adopted by the Board of Directors on the maximum number of positions held in other companies (for more details, see the next paragraph). The Board of Directors, with the support of the Remuneration and Nomination Committee and the Board of Statutory Auditors, is responsible for monitoring and implementing the Policy on the composition of Corporate Bodies, which is published on the Company's website at [www.sabafgroup.com](http://www.sabafgroup.com), under the section "Investors - Corporate Governance".

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

To ensure that the position of director is held by subjects that can devote the necessary time to diligently perform their duties, the Board of Directors defined in the Corporate Governance Manual, approved by the Board of Directors on 16 December 2021, the maximum number of positions as director or statutory auditor that each director may hold at companies listed on regulated markets (also overseas), as well as at financial, banking, insurance or other large companies, also taking account of the fact that they may also be members of the various Committees established within the Board of Directors.

Specifically:

- for executive directors, the maximum number of positions is 3, not including the offices held within the Group;
- for non-executive directors: a maximum of seven offices, not counting the positions held at the financial companies envisaged in Art. 113 of the Italian Consolidated Banking Act ("Testo Unico Bancario").

The Board of Directors confirmed compliance with the above-mentioned criteria for the directors currently in office at its meeting held on 22 March 2022.

The offices held by current Sabaf directors as directors or statutory auditors of other listed companies, financial, banking and/or insurance companies, and/or large companies are disclosed below.

- *Nicla Picchi* is a non-executive Director of Unipol Sai S.p.A. and Abitare In S.p.A.;
- *Alessandro Potestà* is a non-executive Director of Alpitour S.p.A., SIL Industrie Saleri S.p.A. and Openjobmetis S.p.A.;
- *Carlo Scarpa* is the Chairman of the Board of Directors of Brescia Mobilità S.p.A.;
- *Daniela Toscani* is a non-executive Director of DEA Capital S.p.A.;
- *Stefania Triva* is the Chairman of the Board of Directors of Copan Italia S.p.A.;

#### **4.4. FUNCTIONING OF THE BOARD OF DIRECTORS (pursuant to Art. 123-bis, (2)(d) TUF)**

At its meeting of 10 February 2022, the Board of Directors approved the regulations governing the organisation and functioning of the Company's Board of Directors, including, inter alia, the procedures for recording minutes of meetings, the procedures for managing the pre-meeting information to Directors, in compliance with the law, regulations and the Articles of Association, and in accordance with the principles and recommendations of the Corporate Governance Code, with which the Company complies.

In accordance with the Articles of Association, the Board of Directors meets at least quarterly and whenever the Chairman, or the person acting on his behalf, deems it appropriate, or when requested by a single Director or the Statutory Auditors.

The Board of Directors is called by the Chairman, or by the person acting on his behalf, even outside the registered office of the Company, provided that it is in Italy or in other European countries, by means of a notice containing an indication of the items to be discussed, to be sent to the Directors and Auditors, by means that are suitable to provide proof of receipt, at least five days before the date set for the meeting or, in urgent cases, at least twenty-four hours beforehand.

In accordance with the Articles of Association, the meetings of the Board of Directors can be held by audio or video conference provided that all those attending may be identified and are able to follow the discussions and intervene in real time during the discussion of the items on the agenda

The meetings of the Board of Directors are chaired by the Chairman or, in his absence, unavailability or impediment, by the Vice Chairman, by seniority if there are more than one.

The presence of the majority of Directors holding office is required for the validity of the resolutions. The resolutions are passed by absolute majority vote of those attending; the number of voters does not include abstainers. In case of a tie, the vote of the Chairman prevails. The resolutions are recorded in minutes signed by the Chairman and the Secretary.

##### **Information flows, pre-meeting disclosure and minutes**

Directors are provided with an adequate flow of information on the matters under discussion by the Chairman and the Chief Executive Officer. The Chairman and the Chief Executive Officer, with the help of the Secretary, shall ensure, inter alia, that the pre-meeting disclosure and additional information provided during meetings are adequate to enable the Directors to properly exercise their powers and responsibilities.

- The documentation illustrating the matters to be discussed is made available to the Directors and Auditors well in advance, normally no later than the second calendar day prior to the day set for the meeting. In cases of necessity and/or urgency or for operations in progress, the documentation shall be made available as soon as possible and in any event before the beginning of the board works.
- The Chairman ensures adequate space for the necessary in-depth analysis during Board meetings, in order to guarantee the Directors and Auditors correct and complete information on the matter under discussion.



- In order to ensure adequate confidentiality and privacy of information supporting board meetings and not to prejudice the efficiency, timeliness and completeness of information flows, the aforementioned documentation is made available on a digital platform (BoD on Board), equipped with high security requirements, for sharing.
- The draft minutes of the Board of Directors' meetings are made available to the Directors and Auditors to allow them to comment on the minutes of the Board proceedings. In the absence of comments, or after their acknowledgement, the minutes are transcribed in the register of shareholders and signed by the person chairing the meeting and the Secretary and are kept by the latter. If resolutions requiring immediate execution are adopted, the Chairman may request that the minutes be read and approved at the end of the meeting.
- The minutes of the meetings of the Board of Directors, together with their annexes, remain available for consultation by the Directors and Auditors within the BoD on Board. In any case, the minutes of the Board of Directors of the Company, together with the relevant annexes and the documentation acquired during the meetings, are available for consultation by each of the Directors upon request to the Secretary.

The results of the self-assessment certify that also in 2021 the Directors had access to information and documentation in a timely and adequate manner for the purposes of full and informed participation in Board discussions and resolutions.

### **Confidentiality**

As envisaged by the Board of Directors' regulations, Directors and Auditors are required to keep confidential the documents, news, information and data acquired in the performance of their duties and cannot disclose the documentation received, even after their term of office has expired, without prejudice to the obligations imposed by law, judicial and/or supervisory authorities. The subjects invited to attend board meetings are also subject to the same duty of confidentiality.

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The Board of Directors met 12 (twelve) times during the 2021 financial year. The meetings lasted an average of about two hours and thirty minutes. The percentages of attendance of each director at the meetings are shown in Table 2 of paragraph 4.3.

Nine meetings are planned for 2022, of which three have already been held, on 10 March and 22 March, the date of this report.

The meetings of the Board of Directors, coordinated and presided over by the Chairman, are always attended by the members of the Board of Statutory Auditors and the managers of Sabaf and other group companies, in charge of the relevant corporate functions concerned by the topics dealt with, invited by the Chairman, also upon request by one or more directors and with the consent of those attending, to provide the necessary in-depth analyses in relation to the items on the agenda.

In the course of 2021, the Board of Directors met the following heads of the business functions:

- Nicola Belpietro, Pietro Benedetti, Luca Gorini (Executive Regional Sales Director);
- Andrea Bonfadelli (Purchasing, Programming and Logistics Director);
- Massimo Dora (Technical Director);
- Giuseppe Garzillo (Head of Internal Audit);

- Loris Gasparini (General Manager of the subsidiary A.R.C. S.r.l.);
- Laura Ipogino (Global Group HR Director);
- Claudio Migliorati (Chief Information Officer);
- Cristiano Pastore (R&D Director);
- Paolo Santini (General Manager of the subsidiary C.M.I. s.r.l.);
- Michele Squicciarini (Head of Electronics R&D of Sabaf SpA);
- Onur Yilmaz (General Manager of the Subsidiary Sabaf Turkey).

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For 2021, in compliance with the Guideline on the subject, the Board of Directors assessed the overall adequacy of the general organisational, administrative and accounting structure of the Company and its key subsidiaries, as established by the Control, Risk and Sustainability Committee, with particular reference to the Internal Control and Risk Management System. More specifically, the process involved all the corporate players in charge of planning, implementing and/or monitoring the Group's Internal Control and Risk Management System, by collecting the information supporting the assessment.

The Board of Directors assessed the general business performance, taking into account in particular the information received from the Chief Executive Officer, and by quarterly comparing the results achieved with those planned.

Finally, as provided for by Consob resolution 17221 of 12 March 2010 on related party transactions, and in compliance with the "Procedure regulating related party transactions" which came into force in January 2011 and was subsequently updated in 2012, 2015, 2018 and 2021, the Board of Directors assessed the transactions with related parties carried out in the course of the year. No related party transaction carried out in the year was considered to be of major significance.

Moreover, the Board of Directors carried out its annual assessment for 2021 of the size, membership (including professional competences, managerial skills and seniority) and activities of the Board of Directors and its Committees.

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

The Chairman of the Board of Directors plays a liaison role between the executive and non-executive directors and ensures the effective functioning of the Board's work.

In particular, the Chairman of the Board of Directors, with the help of the Secretary, in compliance with the provisions of the Corporate Governance Manual adopted by the Company, ensured:

- that the pre-meeting disclosure and the additional information provided during the meetings were suitable to enable the directors to act in an informed manner when performing their role;
- that the activities of the board committees investigating, making proposals and providing advice were coordinated with the activities of the Board of Directors;
- in agreement with the Chief Executive Officer, the attendance of the Company's Managers and those of the group companies it heads, of the heads of the corporate functions competent according to the matter, in the Board meetings;
- that all the members of the administration and control bodies could participate in

initiatives aimed at providing them with adequate knowledge about the sectors of activity in which Sabaf operates, corporate dynamics and their development, also with a view to the sustainable success of the company itself, as well as the principles of correct risk management and the regulatory and self-regulatory framework of reference;

- the adequacy and transparency of the Board of Directors' self-assessment process, with the support of the Nomination Committee;
- the information to the Board of Directors, within the first useful meeting, on the development and significant contents of the dialogue held with all shareholders.

### **Induction Programme**

In 2021, the Company continued with the induction programme so as to offer the opportunity to members of the Board of Directors and the Board of Statutory Auditors to improve their knowledge of the issuer and its subsidiaries.

Moreover, during the meeting of the Board of Directors on 23 September 2021, the Company invited some external consultants to explain to the members of the Board of Directors and the Board of Statutory Auditors the recent trends of the Italian stock market, with a special reference to the small cap securities and to the Sabaf share.

Please note that the induction sessions were held during minuted meetings.

### **Board Secretary**

For the organisation of its work, the Board of Directors is supported by a Secretary, who is elected, even outside the members of the Board itself, for the entire term of office of the Management Body. The appointment and removal of the Secretary is decided by the Management Body, at the suggestion of the Chairman.

The requirements and powers of the Secretary were defined in the Council Regulation, which envisages that the Secretary must possess the appropriate professionalism and independence of judgement. In particular, the Secretary must meet the following requirements:

- have a degree in economics or law;
- have adequate professional experience in the field of competence in listed or otherwise large companies.

The Secretary takes care of the minutes of Board meetings and supports the activity of the Chairman, person acting on his behalf, in ensuring the proper functioning of the Board of Directors. It also provides the Directors, with impartial judgement, with assistance and advice on any aspect relevant to the proper functioning of the corporate governance system.

In case of absence, unavailability or impediment of the Secretary, the Board of Directors shall appoint his replacement from time to time, at the suggestion of the Chairman.

On 10 February 2022, the Company's Board of Directors appointed Director Gianluca Beschi as Secretary of the Board, who, also in the past - although without a formal appointment - has systematically performed this task.

## 4.6. EXECUTIVE DIRECTORS

### **Chief Executive Officer**

The Chief Executive Officer (CEO), Pietro Iotti, is responsible for running the Company according to the strategic guidelines defined by the Board of Directors. The Chief Executive Officer coordinates all corporate functions, guaranteeing a rapid decision-making process and ensuring efficient and transparent management. The Chief Executive Officer has wide-ranging powers with regard to all areas of operation of the company, with powers of attorney for up to one million euro per transaction and with joint signature with Director Gianluca Beschi, for amounts between one million and five million euro. The Chief Executive Officer of Sabaf can be identified as the main responsible for the management of the company; the situation of interlocking directorate is not applicable (Pietro Iotti has not undertaken the office of director in another Issuer whose chief executive officer is a director of Sabaf S.p.A.).

### **The Chairman of the Board of Directors**

The Chairman of the Board of Directors currently in office, Claudio Bulgarelli, was appointed by the Board of Directors on 6 May 2021, which simultaneously resolved to confer on the Chairman the following powers, to be exercised with individual signature:

- establish the agenda of the Board of Directors, taking into account the proposals of the Chief Executive Officer;
- supervise the carrying-out of the resolutions of the corporate bodies of the Company;
- represent the Company as plaintiff or defendant before public and private bodies and offices, Chambers of Commerce, Stock Exchanges, the National Commission for Companies and the Italian Stock Exchange, as well as any other public administration or authority;
- represent the Company as plaintiff or defendant, at all levels of jurisdiction, civil, administrative, before board of auditors,
- grant and revoke powers of attorney as part of the aforementioned powers, for single deeds or categories of deeds both to employees of the Company and to third parties, including legal entities.

### **Vice Chairman of the Board of Directors**

On 6 May 2021, the Board of Directors granted the Vice-Chairman, Nicla Picchi, the following vicarious powers, to be exercised only in the event of urgency, absence or impediment of the Chairman, with individual signature:

- establish the agenda of the Board of Directors, taking into account the proposals of the Chief Executive Officer;
- supervise the carrying-out of the resolutions of the Corporate Bodies of Sabaf.

### **Executive Committee** (pursuant to Art. 123-bis (2)(d) TUF)

Taking into consideration the characteristics, dimensions and organisational structure of the Issuer, the Board of Directors has not - at the current time - identified the need to set up an Executive Committee.

### **Information flows toward the Board of Directors**

The Chief Executive Officer reports quarterly to the Board of Directors and to the Statutory Auditors on the activities conducted in exercising the powers conferred on him. An operational Guideline of the Corporate Governance Manual regulates the flow of information to the Board of Directors and Statutory Auditors, also in order to comply with the reporting obligations provided by Art. 150 (1) of the TUF; in particular, the Chief Executive Officer summarises periodically through written reports the following activities and operations carried out by Sabaf and its subsidiaries:

- activities carried out in the period,
- transactions with strategic, economic, capital or financial significance for the Group,
- transactions in potential conflict,
- related party transactions,
- atypical or unusual transactions or those concluded in non-standard conditions,
- any other activity or transaction that he deems it appropriate to communicate.

### **Other executive directors**

The current composition of the Board of Directors envisages an executive director, Gianluca Beschi, Administration, Finance and Control Director (CFO), in addition to the Chief Executive Officer (Pietro Iotti). Director Gianluca Beschi was granted powers for banking and financial transactions, to be exercised with single signature up to one million euro and with joint signature with Chief Executive Officer Pietro Iotti for amounts between one million euro and five million euro.

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

The current composition of the Board of Directors includes 4 (four) non-executive and independent directors: Nicla Picchi, Carlo Scarpa, Stefania Triva e Daniela Toscani. The number and skills of these directors shall be appropriate to the requirements of the Company and the functioning of the Board, as well as the constitution of the relevant committees.

With the abstention of those concerned, the Board of Directors assesses whether the independent directors meet the independence requirements as soon as they are appointed and, subsequently, once a year, paying more attention to substance than to form.

For the purposes of assessing independence, the Board complied with the quantitative and qualitative criteria defined by the outgoing Board of Directors in its meeting of 11 February 2021 and also reported in the Policy for the composition of corporate bodies.

In particular, the Board of Directors assessed whether the independence requirements are met pursuant to the Code and the TUF:

- With reference to the independent directors in office for the three-year period 2018 to 2020, upon appointment (8 May 2018) and, subsequently, on 12 February 2019, for the directors qualified as independent, as well as for the director Carlo Scarpa, appointed by co-optation, on 23 January 2019 following the resignation of the director Renato Camodeca, on 11 February 2020 and 11 February 2021;
- with regard to the independent directors in office for the three-year period 2021 - 2023, upon appointment, implemented by the shareholders' resolution of 6 May 2021

and subsequently on 10 February 2022. Following this assessment, all the directors qualified as independent meet the independence requirements prescribed by the TUF and the independence requirements set out in Art. 2 of the Corporate Governance Code, with the sole exception, in case of Nicla Picchi, of the requirement set out in Art. 2, point e) of the Corporate Governance Code, having been a director of the Company for nine financial years in the last twelve. The Board, given the attitude and independence of judgement she has always demonstrated, considered that the duration of her term of office as a director in Sabaf, which exceeded nine years, did not compromise her independence. The Board also drew on the opinion of the Remuneration and Nomination Committee, which pointed out that Nicla Picchi had always made a valuable contribution to the Board's debate in terms of both expertise and a critical and independent approach, and that she had also acquired an in-depth knowledge of the Group and its dynamics, having followed its development and transformation.

Note that the non-executive directors provided all the elements required or useful for the Board's evaluations.

On 23 March 2021, the Board of Statutory Auditors checked and certified the proper implementation of the criteria and procedures adopted by the Board of Directors to determine the independence of the directors who qualify as such.

#### **Lead independent director**

The outgoing Board of Directors had appointed Nicla Picchi as Lead Independent Director, whose position was also confirmed by the Board of Directors in its meeting of 6 May 2021, following the renewal of the administration and control bodies.

This person will remain in office for the entire term of the Board of Directors and is a point of reference and coordination for the applications and contributions of non-executive directors, with particular reference to independent directors.

The Lead Independent Director can convene, autonomously or at the request of other directors, meetings of only Independent Directors to discuss on the issues considered of interest with regard to the functioning of the Board of Directors or company management.

In particular, in preparation for meetings, the Lead Independent Director works with the Chairman to ensure that the documentation relating to the items on the agenda is brought to the attention of the Directors and Statutory Auditors sufficiently in advance (at least three days before) of the date of the Board meeting, in order to allow effective and informed participation in the work of the Board, as well as the evaluation of cases of unforeseen situations of necessity or urgency that require the prior information to be limited

During the financial year, the Lead Independent Director collaborated with the Chairman to ensure that the Directors received complete and prompt information on the adoption of resolutions by the Board of Directors and the exercise of its powers of direction, coordination, and supervision of Company and Group activities.

The Lead Independent Director also coordinated the Board of Directors self-assessment process.

## **5. MANAGEMENT OF CORPORATE INFORMATION**

Confidential information is managed by the chief executive officer according to the procedure for the internal management and external disclosure of documents and information concerning the Company, adopted by the Board of Directors. Special attention is paid to the management of privileged information, as defined by Art. 181 of the TUF (i.e. not yet made public and which could, if divulged, considerably affect the price of the relevant listed instruments).

In particular, in order to comply with the European provisions on market abuse, as well as the indications of the Consob Guidelines on the Management of Inside Information, on the occasion of the meeting held on 26 June 2018, the Board of Directors of Sabaf approved the "Procedure for the Management of Important and Inside Information". This procedure is available on the Company's website at: [www.sabafgroup.com](http://www.sabafgroup.com), under the section "Investors - Annual and Interim Financial Statements".

The aim of this procedure is to ensure that the company handles confidential information carefully, safely and privately, and discloses any insider information in a symmetrical, non-selective, prompt, complete and adequate manner.

Corporate officers are obliged to maintain the confidentiality of information and documents obtained in the performance of their duties and to comply with the procedure referred to in this section.

## **6. INTERNAL BOARD COMMITTEES (pursuant to Art. 123-bis, (2)(d) TUF)**

The Board of Directors can set up one or more Committees within the Board, such Committees being responsible for making proposals or providing consultancy on specific topics and having no decision-making powers.

Following the appointment of the new administration and control bodies, on 6 May 2021 the Sabaf Board of Directors established the Remuneration and Nomination Committee and Control, Risk and Sustainability Committee with function also of Related Party Committee.

Taking into consideration the characteristics, dimensions and organisational structure of the Issuer, the Board of Directors has - at the current time - deemed it necessary to attribute the functions of the Nomination Committee to the Remuneration Committee thereby establishing the Remuneration and Nomination Committee, composed of 3 non-executive directors, with an independent majority.

The Board of Directors also assigned the functions carried out by the Related Party Committee to the Control, Risk and Sustainability Committee, especially the duty to support the Board of Directors, through reasoned opinion, in any amendments and supplements to the "Procedure regulating related party transactions".

Detailed information on the composition and functioning of these Committees can be found in Section 7.2 and 9.2 of this Report.

The rules governing the functioning of the Committees are contained in the Company's Corporate Governance Manual.

No further committees responsible for making proposals and providing advice have been established other than the ones envisaged in the Code.



## **7. SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS - REMUNERATION AND NOMINATION COMMITTEE**

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

#### **Self-assessment of directors**

The Board of Directors of the Company, in order to periodically assess the effectiveness of its activities and the contribution made by its individual members, opts, with respect to possible approaches to assessment, for the self-assessment of individual Directors through the distribution, compilation, collection and processing of questionnaires and the subsequent discussion in the Board of Directors of the results obtained, in order to identify any elements for improvement.

The Operating Guidelines of Sabaf S.p.A.'s Corporate Governance Manual regulate this process, under which the board's contribution to defining the company's strategy is also assessed.

From an operational point of view, the Lead Independent Director is responsible for coordinating the annual assessment and for defining the topics to be discussed at the self-assessment, taking care to cover all the assessment aspects listed in the following paragraph. In carrying out this task, the Lead Independent Director may be assisted by the Control, Risk and Sustainability Committee or by an external consultant, qualified and independent of the organisation.

The aspects to be assessed by the Board are as follows:

- involvement, i.e. the relationship of Directors with management, their knowledge of company events, participation in decisions, role and impact of non-executive Directors, particularly Independent Directors;
- effectiveness, i.e. the role and impact of the Board in defining business and financial plans, in strategic decisions, and in verifying the company's organisational structure;
- efficiency, i.e. frequency and duration of Board meetings, timeliness and completeness of documentation provided to Board members, depth of discussions, accuracy of minutes;
- communication, i.e. the timeliness and accuracy of information provided to shareholders on the company's performance and strategic choices;
- professional characteristics, experience, including managerial experience, and gender, as well as the seniority in office of each member of the Board and of the Board as a whole;
- Committees within the Board, i.e. composition and functioning of the Committees, with a special reference to the Control, Risk and Sustainability Committee, also the Related Party Committee, and the Remuneration and Nomination Committee.

The assessment, carried out on an annual basis, covers the Board's operations in the previous year or in the previous 12 months.

The Board of Directors carried out the annual assessment for 2021 by distributing, compiling, collecting and processing questionnaires and then discussing the results at the Board meeting on 10 February 2022. The Company deemed not necessary to avail itself of external consultants. The self-assessment questionnaire was completed by all the directors and the results of the assessment were positive in all aspects considered.

### **Succession of directors**

At its meeting of 11 February 2021, the Board of Directors adopted the Policy on the composition of corporate bodies at the suggestion of the Remuneration and Nomination Committee. The objective of the Policy is to illustrate the Company's guidelines on the characteristics considered functional to ensure an optimal composition of the corporate bodies, i.e. the Board of Directors and the Board of Statutory Auditors.

The purpose of this Policy, when renewing the Corporate Bodies, is to provide guidance both to Shareholders who intend to submit lists within the terms of the law and the Articles of Association, and to the outgoing Board of Directors, if it plans to submit its own list for the appointment of the Board of Directors. Moreover, the Remuneration and Nomination Committee takes into account the indications provided in this Policy if it is called upon to propose names for the office of Directors to the Board of Directors, taking into consideration any reports received from Shareholders.

The Policy was published on the Company's website [www.sabafgroup.com](http://www.sabafgroup.com), in the "Investors - Corporate Governance" section on 17 February 2021, well in advance of the publication of the notice of call of the Shareholders' Meeting relating to the renewal of the Board (26 March 2021).

The notice of call of the Shareholders' Meeting concerning the renewal of the Board invited the Shareholders to consider with due awareness the guidelines expressed in the Policy for the Composition of Corporate Bodies concerning the individual requirements and the qualitative and quantitative profile of the Board.

At present, there are no succession plans for the chief executive officer, executive directors and top management, the adoption of which is recommended by the Code only for "large companies".

## **7.2. REMUNERATION AND NOMINATION COMMITTEE**

The Board of Directors has set up a Remuneration Committee, also with the function of Nomination Committee.

### **Composition and duties of the Remuneration and Nomination Committee** (pursuant to Art. 123-bis, (2)(d) TUF)

With a resolution on 6 May 2021, a Committee was set up by three non-executive members, with the knowledge and experience in accounting, finance and remuneration policies that are deemed adequate by the Board of Directors. The Committee is composed of non-executive members, the majority of which is independent, with the Chairman chosen amongst the independent members. The composition of the Committee set up on the occasion of the renewal of the corporate bodies, shown in Table 3 below, did not change compared to that of the outgoing Committee.

The work of the Remuneration and Nominations Committee is coordinated by the Chairman and the meetings are regularly minuted. After each meeting of the Committee, the Chairman is responsible for informing the Board of Directors during the first available meeting, reporting on the activities carried out and giving suggestions and recommendations on matters of relevance.

Other directors, employees and experts, as well as the Chairman of the Board of Statutory Auditors and other statutory auditors, may be invited to attend with advisory roles in Committee meetings on a case-by-case basis.

In 2021, the Committee met 6 (six) times, with each meeting lasting, on average, around an hour. The percentages of attendance of each director at the meetings of the Committee is shown in the next Table 3. At the invitation of the Committee, the meetings were attended by the Chief Executive Officer, the Administration, Finance and Control Director and some members of the Board of Statutory Auditors, to discuss the items on the agenda from time to time.

In 2022, the Committee met on 7 February 2022 and 10 March 2022.

**TABLE 3: STRUCTURE OF THE REMUNERATION AND NOMINATION COMMITTEE AT THE END OF THE REPORTING PERIOD**

		Remuneration and Nomination Committee	
Office/Position	Components	(*)	(**)
Independent non-executive Director - from TUF and Code	Daniela Toscani	6/6	P
Independent non-executive Director - from TUF and Code	Stefania Triva	6/6	M
Non-Executive Director	Alessandro Potestà	6/6	M
<b>No. of meetings held during the Year:</b>		6	

**NOTES**

(\*) This column indicates the attendance of directors at board meetings (indicate the number of meetings attended in relation to the total number of meetings that could have been attended: e.g. 6/8; 8/8 etc.).

(\*\*) This column indicates the position of the director within the committee: "C": chairman; "M": member.

**Duties of the Remuneration and Nomination Committee**

The Company's Corporate Governance Manual assigns the following duties to the Remuneration and Nomination Committee:

- a) to support the Board in the definition of the remuneration policy of Directors and managers with strategic responsibilities;
- b) to periodically assess the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key management personnel, also on the basis of the information provided by the CEO; it shall formulate proposals to the Board of Directors in that regard;
- c) to submit proposals or issues opinions, in the absence of any Directors concerned, to the Board for the remuneration of Executive directors and other Directors who cover particular offices as well as for the identification of performance objectives related to the variable component of that remuneration;
- d) to support the administrative body in carrying out the self-assessment activities of the Board of Directors and its committees;
- e) to monitor the application of decisions adopted by the Board itself, verifying in particular the actual achievement of performance targets;

- f) to express opinions to the Board of Directors on the size and composition of the board and its committees and express recommendations on the professional figures whose presence on the Board is deemed appropriate, as well as on the following issues:
- opinion with regard to the maximum number of offices as director or statutory auditor that can be considered compatible with an effective discharge of the duties of a director of the Company, taking into account the participation of directors in the committees established within the actual Board,
  - any derogations from the rules prohibiting competition as per Art. 2390 of the Italian Civil Code, with particular regard to critical ones;
- g) to put forward candidates to the Board of Directors for the office of director in cases of co-optation, when independent directors have to be replaced;
- h) to support the Board in the possible adoption of a plan of succession for Executive directors;
- i) to support the Board of Directors in carrying out the activities of possible presentation of a list by the outgoing Board of Directors, to be carried out in a manner that ensures its transparent formation and presentation.

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In the course of the financial year, the Committee analysed final results of the managerial incentive plan (MBO) for the financial year 2020 and prepared the managerial incentive plan for the year 2021, approved by the Board of Directors on 23 March 2021.

In 2021, the Committee analysed the summary of the long-term incentive plan (or also "LTIP") for directors and employees of the Company and its subsidiaries through the free allocation of shares ("Stock Grant Plan"), approved by the Board of Directors on 15 May 2018. The Committee also drafted the regulations for a new Stock Grant Plan for the period from 2021 to 2023, which was approved by the Board of Directors on 13 May 2021. For further details, refer to the 2021 Report on Remuneration, available on the Company's website at: [www.sabafgroup.com](http://www.sabafgroup.com), under the section "Investors - Corporate Governance", and published in the Annual Report available on the Company's website at: [www.sabafgroup.com](http://www.sabafgroup.com), under the section "Investors - Annual and Interim Financial Statements".

During the year, the Committee proposed changes to the "Policy on the composition of corporate bodies", in line with the recommendations of the CG Code.

In view of the expiry of the term of office of the Board of Directors in office for the three-year period from 2018 to 2020 and in accordance with the power provided for by the Articles of Association, the Committee formulated a proposal regarding the list of candidates for the office of Director for the three-year period from 2021 to 2023 to be submitted by the Board of Directors to the Shareholders' Meeting.

At its meeting of 10 May 2021, the Committee formulated a proposal to the Board of Directors on the remuneration for the offices of Chairman, Vice-Chairman, Honorary Chairman and Chief Executive Officer, as well as a proposal on the remuneration for attendance at Committee meetings.

In the period covered by this report, the Committee had full access to the information and business functions necessary to carry out its duties. The Board of Directors set up an

expenses fund of €20,000 available to the Remuneration and Nomination Committee to carry out its duties. The fund was not used in 2021.

Directors do not attend Remuneration Committee meetings in which proposals are submitted to the Board concerning their remuneration.

## 8. REMUNERATION OF DIRECTORS

### **Remuneration policy**

The Board of Directors, at the suggestion of the Remuneration and Nomination Committee, defines the policy for the remuneration of Directors and managers with strategic responsibilities. This policy is submitted by the Board to the approval of the Shareholders' Meeting.

The remuneration policy was prepared with the support of legal advisors and following an in-depth comparative analysis, carried out by the Remuneration and Nomination Committee, of the remuneration practices in the Company's reference sector for companies of a similar size.

The remuneration of Directors and executives with strategic responsibilities shall be set at a level sufficient to attract, retain and motivate individuals with the professional qualities to successfully carry out the activities for which they are responsible. In particular, the remuneration policy, which cannot in any case disregard the performance of the company, envisages:

- a fixed remuneration component, sufficient to remunerate the performance of the recipients, if the variable component is not paid due to the failure to achieve the performance targets set by the Board;
- variable remuneration components, of a fixed maximum amount and related to the achievement of predetermined, measurable short- and long-term performance targets, consistent with the creation of value for shareholders;
- an adequate balance among the remuneration components (short-term variable and long-term variable) according to Sabaf's strategic and risk management objectives, also taking into account the business segment in which it works and the features of the business activity, by envisaging in any case that the variable part represents a significant part of total remuneration;
- the payment of variable components within a reasonable period of time after their accrual;
- any non-monetary benefits and any remuneration for offices in other Group companies;
- that the remuneration of Non-executive directors shall be commensurate with the commitments required of each of them, taking into account any attendance in one or more internal Committees. Moreover, the remuneration envisaged must be commensurate with the competence, professionalism and commitment required by the tasks assigned to them on the board and in the board committees.

The remuneration of Executive directors and executives with strategic responsibilities, having to ensure the alignment of their interests with those of creating value for shareholders in the long term, is related to the achievement of specific objectives, both economic-financial and technical-productive of short and long-term performance. They are consistent with the company's strategic objectives and aim to promote its sustainable success, including, where relevant, non-financial parameters;

Details concerning the remuneration of executive, non-executive directors and top management, share-based remuneration plans, the accrual and disbursement of remuneration and indemnities paid to directors, also with reference to specific information relating to the 2021 financial year, are contained in the full document available on the Company's website at [www.sabafgroup.com](http://www.sabafgroup.com), in the section "Investors - Corporate Governance" and in the reports on remuneration published pursuant to Art. 123-*ter* of the TUF.

## **9. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM - CONTROL, RISK AND SUSTAINABILITY COMMITTEE**

In the Corporate Governance Manual, the Board of Directors defined the guidelines for the internal control and risk management system so that the main risks relating to the Issuer and its subsidiaries are properly identified, measured, managed and monitored, as well as being compatible with the strategic objectives of the Group. The objective of the internal control and risk management system is, in fact, to provide adequate protection for the company's assets and for those who interact in various ways with the company, as well as to contribute to the management of the company in line with the corporate objectives defined by Sabaf's Board of Directors, encouraging informed decision-making.

The Internal Control and Risk Management System applies to Companies and strategically significant subsidiaries (Faringosi Hinges, C.M.I. S.r.l., Sabaf do Brasil, Sabaf Turchia and Okida), identified as such by the Sabaf Board of Directors on the occasion of the meetings of 8 May, 25 September 2018, 22 September 2020 and 6 May 2021.

The internal control and risk management system of the Company and its strategically important subsidiaries consists of the set of rules, procedures and organisational structures aimed at enabling the identification, measurement, management and monitoring of the main risks, in terms of:

- adequate control of corporate risks;
- effectiveness and efficiency of corporate operating processes;
- safeguarding capital integrity;
- completeness, reliability and promptness of information provided to corporate bodies and the market;
- compliance of corporate behaviour with laws, regulations, as well as directives, the Articles of Association and corporate procedures.

The fundamental components of Sabaf's Internal Control and Risk Management System and of the strategically significant subsidiaries are based on:

- the organisation of the Internal Control and Risk Management System, created by the collection of players involved to whom different roles and responsibilities are assigned (as specified later on);
- the methods and mechanisms for the practical implementation of control principles, reflected in the documentation constantly produced and updated by the Company to define the rules of behaviour, the division of tasks and the delegation of responsibilities, the objectives and methods for assessing the risks and performance of both the whole organisation and individuals. This includes the following:
  - the Charter of Values;
  - the arrangements involving the corporate and organisational structure and the powers granted;
  - the segregation of duties in the organisation (also reflected in the corporate information systems), aimed at preventing excessive concentration of decision-making/authorisation, implementation/executive, accounting and verification/control powers and functions as part of the organisation;
  - the development and professional growth policies for personnel;
  - the systems for defining corporate targets and for verifying and monitoring corporate performance;



- the management and economic-financial reporting systems, as well internal and external communication systems;
- the body of corporate procedures, including those under the scope of the Organisational Model adopted by Sabaf to implement Legislative Decree 231/2001 and those established pursuant to Law 262/2005 on the subject of administrative-accounting procedures for the preparation of the financial statements;
- the procedures for the preparation of the financial statements, the continuous monitoring and verification procedures conducted at various levels of the organisation, both under the scope of corporate processes and through independent structures (as specified below).

### **The Internal Control and Risk Management System for financial information**

Sabaf considers the Internal Control and Risk Management System for financial information an integral part of its risk management system.

In this regard, as far back as 2008, Sabaf integrated the activities relating to the management of the Internal Control and Risk Management System on financial reporting in its Internal Audit and compliance process (i) preparing a unique Audit Plan, with a shared programme of tests, organised according to specific control objectives (e.g. operational, compliance with Law 262/2005 and Legislative Decree 231/2001, security and profiling of corporate information systems) and (ii) assigning the carrying-out of the interventions to a unique structure, responsible for reporting the outcomes to the competent control bodies.

In addition to this, the Company carries out an annual risk assessment at the Group level, supplementing it for specific aspects relating to individual areas of compliance, including the one related to Law 262/2005.

With specific reference to the Internal Control and Risk Management System on financial reporting, the Group defined its own Accounting Control Model that defines the rules that the Group follows for the purpose of:

- aligning itself to the regulations on preparing corporate accounting documents, as well as all deeds and communications of an economic, capital or financial nature disclosed to the market,
- describing the components of the Control Model adopted by the Company,
- indicating the responsibilities of the Financial Reporting Officer and other players involved in the process,
- establishing a certification process (for both Sabaf and the subsidiaries),
- guaranteeing dependability, accuracy, reliability and timeliness of the financial information.

No updates to the Accounting Control Model were necessary in 2021. The internal instructions and standards are added to the Model (including, for instance, the powers of attorney system, the reporting instructions, the supporting information systems, the visits to Group company offices) through which the Parent Company guarantees an efficient exchange of data with the Subsidiaries.

The Accounting Control Model relies on the following key elements:

- general control environment,

- identification process of the main risks related to economic, capital and financial information and the related controls, according to a top-down approach which focuses on the main risk areas,
- significant corporate procedures system for the purpose of preparing and disclosing economic, capital and financial information (administrative-accounting procedures),
- regular evaluation of the adequate and effective application of the controls identified,
- internal certification (within the Group) conducted regularly to guarantee the completeness and correctness of the information generated by the processes governed and for information surrounding the changes made to the processes managed,

and this includes the involvement of a large number of players, with some of the main ones listed below:

- Board of Directors,
- Chief Executive Officer,
- Financial Reporting Officer,
- Investor Relator,
- Heads of significant/involved functions,
- Director of Information Systems,
- CEOs and heads of management structures of subsidiaries.

Sabaf keeps its Model updated with regard to changes in operations and/or organisation, the results of the risk assessment, regular audit activities, as well as changes to the systems and processes involving the structure.

There is an annual process under the scope of the Group's Accounting Control Model, formalised and structured - which is the responsibility of the Financial Reporting Officer, supported by the Internal Audit department - aimed at identifying the main corporate processes, significant for the purpose of "262" and the main Group companies that give rise to them are involved.

In line with the best practices, the process of identifying and assessing the processes and organisational units takes into account both qualitative criteria (linked to the visibility of the Financial Reporting Officer and his structure in the individual processes and the degree of control; the intrinsic risk level of the underlying process; the complexity of calculation and subjectivity of the estimates) as well as quantitative criteria (related to the importance of the values generated by the individual financial reporting processes).

The 2021 evaluation highlighted the significant processes that were subject during the year to timely audit operations with regard to specific control objectives (*existence, completeness and accuracy, evaluation, rights and obligations, presentation and information*).

The outcomes of the audits into the single processes are reported by the Internal Audit department to the Financial Reporting Officer and to Control, Risk and Sustainability Committee, as well as to those attending the meetings with the Control Bodies, who are informed of the results of the interventions at the scheduled meetings.

On an annual basis, the Head of Internal Audit notifies the Control, Risk and Sustainability Committee, through a detailed report, of the adequate and effective operation of the internal control and risk management system relating to the areas/processes that were checked.

For 2021, this report was presented to the Control, Risk and Sustainability Committee at the meeting on 3 February 2022.

Any shortcomings/improvement measures identified during the audits and reported as described above, require the immediate identification of the actions to be taken, as well as regular monitoring of the solution.

#### **Consolidated non-financial statement**

The consolidated non-financial statement of the Sabaf Group, prepared in accordance with Legislative Decree 254/2016, contains information on environmental, social, personnel, human rights and anti-corruption issues.

At its meeting of 17 December 2019, the Board of Directors approved the procedure for the preparation of the Disclosure of non-financial information, aimed at regulating the reporting process. This procedure defines the phases, activities, timing and responsibilities relating to the management of the process itself, the collection and validation of the contents of the document.

The procedure applies to Sabaf S.p.A. and all its subsidiaries consolidated on a line-by-line basis.

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#### **Annual process of risk assessment and Audit Plan preparation**

During 2021, Sabaf carried out the annual process of identifying and assessing the main corporate risks, aimed at updating the previous risk assessment and preparing the risk-based Audit Plan for 2022, approved by the Board of Directors with the favourable opinion of the Control, Risk and Sustainability Committee having heard the Board of Statutory Auditors and the Director responsible for the Control and Risk Committee, in the meeting held on 16 December 2021. On that occasion, the Issuer took into account not only risks deriving from the external context in which Sabaf operates, but also the strategic, organisational and "execution" risks that may be significant from the point of view of sustainability in the medium/long term.

The Group risk identification and assessment process, carried out in compliance with the new method developed by Sabaf's Internal Audit, envisaged the broad involvement of all the Parent Company department heads, also in their capacity as representatives for the Subsidiaries, each for their respective areas, and taking into consideration the risks that may assume significance in terms of medium-/long-term sustainability.

In line with the Guidelines, the potential effects are assessed for each risk measured (in terms of impact and likelihood according to qualitative/quantitative scales), analysing the causes and evaluating the existing strategies and mitigation systems.

For further details on the main risks arising from the analysis carried out, reference is made to the Report on Operations.

#### **Assessment of the adequacy of the Internal Control and Risk Management System**

For 2021, the assessment of the overall adequacy of the Internal Control and Risk Management System was expressed on the basis of the analysis of the following aspects:

Significant events with an impact on the corporate governance and control model:

- Corporate governance regulatory changes,
- Amendments to the Corporate Governance Manual,
- Amendments to Corporate Governance Procedures,
- Amendments to the Group Charter of Values,
- Risk Assessment and Audit Plan,
- Amendments to the Articles of Association and Shareholders' Meeting Regulations,
- Changes in the composition of the administration and control bodies and the organisational structure,
- Changes in the powers of attorney system,
- Compliance with Law 262/05 on accounting and corporate documentation,
- Information systems,
- Export Compliance,
- Transactions in derivative financial instruments,
- Treasury share transactions,
- Related party transactions,
- Intra-group transactions and transactions in potential conflict,
- Internal dealing transactions,
- Monitoring internal control and risk management systems of subsidiaries,
- Main disputes in place,
- Situation of non-performing loans.

Results of audit activities carried out by internal and external control bodies:

- Results of monitoring activities carried out by the Internal Audit department,
- Meeting between Control Bodies,
- Information from the Financial Reporting Officer,
- Results of monitoring activities carried out by the Supervisory Body,
- Results of audits carried out by third parties on quality, environment, energy and social responsibility management systems,
- Information from the Prevention and Protection Service and environmental protection.

Based on the information and evidence collected, and after consulting with the Control and Risk Committee, the Board of Directors believes that the Control, Risk and Sustainability Committee in place in 2021 is adequate and effective in relation to the dimensions and characteristics of the Group and suitable overall for achieving the company targets.

## **9.1. CHIEF EXECUTIVE OFFICER**

As part of the responsibilities entrusted to him by the Board of Directors to oversee the internal control and risk management system, the Chief executive officer is responsible for:

- being responsible for the identification of the main corporate risks, to be regularly submitted for examination by the Board of Directors, taking into account the characteristics of the activities conducted by Sabaf and its subsidiaries;
- implementing the guidelines defined by the Board, taking care of the planning, implementation and management of the internal control and risk management system, constantly checking its adequacy and efficiency;
- establishing and maintaining the internal control and risk management system;

- updating the Internal Control and Risk Management System with regard to the dynamics of the operating conditions and legislative and regulatory scenario;
- asking, where deemed necessary, the Internal Audit department to conduct checks into specific operational areas and into compliance with internal rules and procedures in the execution of corporate operations, at the same time notifying the Chairman of the Board of Directors, the Chairman of the Control, Risk and Sustainability Committee and the Chairman of the Board of Statutory Auditors;
- promptly reporting to the Control, Risk and Sustainability Committee with regard to problems and criticalities that have emerged when conducting its activities or of which it has been notified, so that the Committee can undertake the appropriate initiatives.

These tasks were carried out regularly during the 2021 financial year.

## 9.2. CONTROL, RISK AND SUSTAINABILITY COMMITTEE

The Board of Directors appoints a Control, Risk and Sustainability Committee from among its members, with the task of supporting, with adequate preliminary activity, the assessments and decisions of the Board relating to the internal control and risk management system, as well as those relating to the approval of periodic financial and non-financial reports.

The Committee itself, also representative of the Related Party Committee, is responsible for supporting the Board of Directors, through reasoned opinions, in the initial adoption and subsequent amendments and supplements of the "Procedure regulating related party transactions" in implementation of Consob Regulation 17221 of 12 March 2010.

### **Composition and duties of the Control, Risk and Sustainability Committee (pursuant to Art. 123-bis, (2)(d) TUF)**

The Control, Risk and Sustainability Committee is composed of Independent directors. As a whole, the Committee has adequate expertise in the business sector in which the company operates to assess the relevant risks. At least one member has adequate experience in accounting and finance or risk management, to be assessed by the Board of Directors when appointing the member.

Following the renewal of the corporate bodies, on 6 May 2021 the Board of Directors resolved to set up the Control, Risk and Sustainability Committee for the three-year period 2021 to 2023, made up of the directors Nicla Picchi, Daniela Toscani and Carlo Scarpa, in continuity with the previous composition.

#### NOTES

(\*) This column indicates the attendance of directors at board meetings (indicate the number of meetings attended in relation to the total number of meetings that could have been attended: e.g. 6/8; 8/8 etc.).

(\*\*) This column indicates the position of the director within the committee: "C": chairman; "M

**TABLE 3.2: STRUCTURE OF THE CONTROL, RISK AND SUSTAINABILITY COMMITTEE AT THE END OF THE REPORTING PERIOD**

		Control, Risk and Sustainability Committee	
Office/Position	Components	(*)	(**)
Independent non-executive Vice Chairman – from TUF and Code	Nicla Picchi	7/7	P
Independent non-executive Director – from TUF and Code	Daniela Toscani	6/7	M
Independent non-executive Director – from TUF and Code	Carlo Scarpa	7/7	M
<b>No. of meetings held during the Year:</b>		7	

The work of the Control, Risk and Sustainability Committee is coordinated by the Chairman and the meetings are regularly minuted. After each meeting of the Committee, the Chairman is responsible for informing the Board of Directors during the first available meeting, reporting on the activities carried out and giving suggestions and recommendations on matters of relevance.

In 2021, the Committee met 7 (seven) times, with each meeting lasting, on average, around an hour and thirty minutes. The percentages of attendance of each director at the meetings of the Committee is shown in the next Table 3.

In 2022, the Committee met on 3 February 2022 and a further 4 (four) meetings are scheduled.

When deemed appropriate, for the discussion of specific issues on the agenda, they attended the meetings of the Control, Risk and Sustainability Committee at the invitation of the Committee itself:

- the Head of the Internal Audit Function, Giuseppe Garzillo, Partner of the consulting firm PricewaterhouseCoopers Advisory S.p.A. (PwC) which was entrusted with the Group Internal Audit Function for the period 1 July 2019 - 31 December 2021, task renewed for the three-year period 2022 to 2024;
- the Board of Statutory Auditors;
- the CFO as the "Financial Reporting Officer",
- the CEO as Director in charge of the Internal Control and Risk Management System;
- the Chief Information Officer of Sabaf S.p.A.,
- EY S.p.A, company in charge of external audit for the period 2018 to 2026.

**Functions entrusted to the Control, Risk and Sustainability Committee**

In detail, the Control, Risk and Sustainability Committee, in assisting the Board of Directors, is entrusted with the following tasks:

- a) evaluating, together with the Financial Reporting Officer and with the advice of the independent auditors and the Board of Statutory Auditors, the correct application of

the accounting standards adopted and their homogeneity for the purposes of preparing the Consolidated Financial Statements;

- b) expressing opinions on specific aspects pertaining to the identification of the main corporate risks;
- c) assessing the suitability of periodic financial and non-financial information to correctly represent the company's business model, strategies, the impact of its activities and the performance achieved;
- d) examining the contents of periodic non-financial information relevant to the internal control and risk management system;
- e) examining the periodic reports evaluating the Internal Control and Risk Management System and those of particular significance prepared by Internal Audit;
- f) monitoring the autonomy, adequacy, effectiveness and efficiency of the Internal Audit Department;
- g) asking Internal Audit, when necessary, to audit specific operating areas, and in this case also informing the Chairman of the Board of Statutory Auditors;
- h) expressing opinions with regard to transactions in which a Director has a personal interest or could be a bearer of someone else's interest, submitted for the attention of the Committee by the Board of Directors;
- i) examining related party transactions, expressing a reasoned opinion in the interest of the Company to the deliberative body, as well as on the suitability and essential correctness of the related conditions;
- j) reporting to the Board at least every six months, at the time of approval of the annual and half-year financial reports, on the activities carried out as well as on the adequacy of the internal control and risk management system;
- k) supporting the evaluations and decisions of the Board of Directors, with adequate preliminary investigations, relating to the management of risks deriving from detrimental events of which the Board of Directors has become aware.

The Committee, with reference to sustainability issues, has the task of:

- a) supporting the Board of Directors in the analysis of issues relevant to the Company and the Group, promoting a policy that integrates sustainability into business processes in order to ensure the creation of sustainable value over time for shareholders and all other stakeholders;
- b) promoting the dissemination of the culture of sustainability among all stakeholders;
- c) assessing the environmental, economic and social impacts of business activities;
- d) expressing opinions on the annual and multi-year sustainability targets to be achieved;

- e) expressing opinions on the initiatives and programmes promoted by the Company and the Group in terms of corporate social responsibility.

As indicated previously, the Committee, also representative of the Related Party Committee, is responsible for supporting the Board of Directors, through reasoned opinions, in the initial adoption and subsequent amendments and supplements of the "Procedure regulating related party transactions" in implementation of Consob Regulation 17221 of 12 March 2010.

Note that the supervision of the effectiveness of the external audit process is referred to the Board of Statutory Auditors, also by virtue of the functions assigned to them by the existing regulations (Legislative Decree 39/2010).

In addition to the above, in 2021, the Committee:

- evaluated, together with the Financial Reporting Officer and the auditors, the correct application of the accounting standards,
- analysed the results of the risk assessment conducted at the end of 2021 and the consequent 2022 Audit Plan Proposal,
- analysed the results of the Internal Audit operations carried out during the year,
- made considerations on sustainability issues (sustainability objectives defined in the 2021-2023 Business Plan, new European standards for sustainability, participation in CDP's Climate Change and Water programmes, other possible projects to be analysed in the medium term).

In performing its functions, the Control, Risk and Sustainability Committee has access to the information and company departments necessary to fulfil its duties, and may also use external consultants, within the terms established by the Board of Directors.

The Control, Risk and Sustainability Committee has an expenses fund of €20,000 at its disposal, established by the Board of Directors to carry out its duties. This fund was not used in 2021.

### **9.3. HEAD OF INTERNAL AUDIT**

On 16 May 2021, the Board of Directors, after verifying the possession of adequate requirements of professionalism, independence and organisation, at the suggestion of the Director in charge of the Internal Control and Risk Management System, subject to the favourable opinion of the Control, Risk and Sustainability Committee, as well as after hearing the Board of statutory auditors, renewed the appointment for the three-year period 2022 to 2024, of the Internal Audit Function to PricewaterhouseCoopers Advisory S.p.A. (PwC) and identified Giuseppe Garzillo, Partner of the company, as the Head of the function. Upon engagement renewal, the Board of Directors established the remuneration of the Head of Internal Audit in compliance with corporate policies and market rates, ensuring that he is provided with adequate resources to carry out his tasks. The Board also determined its functions in line with the Code.

In particular, the Head of Internal Audit:

- a) helped the Chief Executive Officer and the Heads of the Functions in the planning and management of the internal control and risk management system;



- b) planned the auditing activities regarding the adequacy and operation of the internal control and risk management system implemented according to a risk based approach; the resulting Audit Plan was submitted to the Board of Directors for approval;
- c) prepared regular reports containing adequate information on its activity, on the procedures according to which risk management is performed, as well as on compliance with the plans defined to minimise risks; the regular reports contain an opinion on the suitability of the internal control and risk management system;
- d) prepared prompt reports on events of particular significance;
- e) sent the reports referred to in the previous points to the Chairmen of the Board of Statutory Auditors, the Control, Risk and Sustainability Committee and the Board of Directors, as well as to the Director in charge of the internal control and risk management system;
- f) verified, under the scope of the audit plan, the reliability of the information systems including the financial reporting systems.

In performing these tasks, the Head of Internal Audit reports hierarchically to the Board of Directors (for appointment and revocation of the appointment), is not responsible for any operational area and remains in office for the duration of the Board that appointed him; his mandate may be revoked at any time for just cause or reason.

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During the year, the Head of the Internal Audit department:

- had direct access to all information useful for the performance of her duties,
- reported with regard to operations to the Control, Risk and Sustainability Committee and the Board of Statutory Auditors at their meetings,
- also reported with regard to operations to the Director in charge of the Internal Control and Risk Management System,
- helped the CEO and the Heads of the Functions in the planning and management of the Internal Control and Risk Management System,
- planned the auditing activities regarding the adequacy and operation of the Internal Control and Risk Management System implemented according to a risk based approach; the resulting Audit Plan was approved by the Board of Directors on 16 December 2021, having heard the Board of Statutory Auditors and the Chief Executive Officer.
- verified, under the scope of the Audit Plan, the reliability of the information systems including the financial reporting systems,
- reported on the outcome of all the audit operations carried out by sending the audit reports to the members of the Control, Risk and Sustainability Committee and the Board of Statutory Auditors,
- reported regularly on his activities, the procedures for managing risks, as well as compliance with plans defined for their containment; provided an assessment - for the areas/processes subject to his audits - on the suitability of the Internal Control and Risk Management System and sent these to the Chairmen of the Board of

Statutory Auditors and the Control, Risk and Sustainability Committee, as well as the Chief executive officer.

#### **9.4. ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001**

In 2006, Sabaf S.p.A. adopted the Organisational Management and Control Model ("Organisational Model"), pursuant to Legislative Decree 231/2001, aimed at preventing the possibility of significant offences with regard to the Decree, which involve the administrative responsibility of the company in cases where certain types of crime are committed by employees or collaborators in the interest or for the benefit of the Company. In 2008, the Italian subsidiary Faringosi-Hinges s.r.l. adopted its own Organisational, Management and Control Model pursuant to Legislative Decree no. 231/2001, while in 2020 and in 2021 the Italian subsidiaries CGD s.r.l. and CMI s.r.l. adopted their own Organisational, Management and Control Model pursuant to Legislative Decree no. 231/01 with regard to health, safety and environmental offences (Arts. 25 *septies* and 25 *undecies* of Legislative Decree no. 231/01).

Through the adoption of the Organisational Model, Sabaf S.p.A. set itself the goal of acquiring a set of general principles of behaviour and protocols which, in compliance with the system of assigning functions and powers and existing internal procedures, meets the requirements of the Decree in terms of prevention, control of the implementation of the Model and any imposition of penalties.

The Organisational Model comprises a **General Part**, that describes the underlying principles and the aims of Sabaf S.p.A. set itself through its adoption, and a series of **Special Parts**, which identify and regulate specific behaviour in areas identified as potentially at risk for the Company, with regard to different types of offences. The General Part of the Sabaf Organisational Model is made available on the Company website at [www.sabafgroup.com](http://www.sabafgroup.com), under the section "Investors - Corporate Governance".

In the definition of the Model, Sabaf S.p.A. analysed corporate activities, training processes and the implementation of decisions within the individual corporate areas, as well as internal control systems. Based on the results of the analyses and the areas identified as potentially at risk, Sabaf S.p.A. deemed it appropriate to regulate the processes with regard to the following types of crimes and offences under Legislative Decree 231/2001: Arts. 24 and 25 (offences against the Public Administration), Art. 25-*bis* (as regards falsehood in instruments or signs of recognition), Art. 25-*ter* (corporate crimes, including the offence of corruption between private individuals), Art. 26-*sexies* (offences and administrative offences of market abuse), Art. 25-*septies* (offences in the field of safety, hygiene and health at work), Art. 25-*octies* (offences of receiving stolen goods, money laundering and use of money, goods or assets of illicit origin as well as self-laundering), Art. 25-*undecies* (environmental crimes), and Art. 25-*duodecies* (offences regarding the use of third-country nationals whose stay is unlawful) and Art. 25-*quinquiesdecies* (tax offences) and Art. 25-*sexiesdecies* (smuggling).

On 13 May 2021, the Board of Directors approved the amendments made to the Organisational Model with which special part "I" relating to Smuggling Offences was inserted. The Model also refers to the Procedure for the Management of Tax Obligations, which was also approved during the meeting of the Board of Directors, as a Specific Protocol applicable for the purposes of preventing Tax Crimes and Smuggling. The Board also

approved the update of Annex 6 to the Model - Protocol on Information Flows to envisage some new flows on events that the Supervisory Body deems appropriate to monitor.

The Model also includes the mandatory establishment of the Supervisory Body, composed of several people with the members being particularly well qualified and in possession of the requirement of integrity pursuant to Art. 109 of Legislative Decree 385 of 1 September 1993.

The Supervisory Body (confirmed on 6 May 2021 by the Board of Directors for the three-year period 2021 to 2023) comprises Nicola Picchi, independent and non-executive director of the Company (Chairman) and Giuseppe Garzillo, Head of the Internal Audit Function.

Moreover, an annual expense fund of €20,000 was made available to the Supervisory Body to carry out its tasks, which was not used in 2021.

During the financial year, through the Internal Audit function and in line with its Audit Plan, the Supervisory Body carried out checks on the effective application and awareness of the rules of control and conduct. In addition, during the year specific preliminary investigation activities were carried out, regarding which the Supervisory Body reported to the company's administration and control bodies.

The Body met 6 (six) times during 2021 and:

- verified the effectiveness of the Model, both through checks carried out by Internal Audit and through conversations with personnel involved in sensitive activities;
- monitored the state of updating of the Model, and in particular analysed the assessments and documents produced by the Company in order to update its Model 231 with regard to smuggling offences;
- held periodic consultation meetings with Company management in order to analyse certain issues relating to the management of personnel and related information flows, the environment and occupational health and safety matters in the workplace, as well as issues subject to audits during the year.

## **9.5 INDEPENDENT AUDITORS**

On 8 May 2018, the Ordinary Shareholders' Meeting, in consideration of the recommendation prepared by the Board of Statutory Auditors pursuant to Art. 13 of Legislative Decree 39/2010 and Regulation (EU) 537/2014, resolved to grant the external auditing assignment for the period 2018 to 2026 to EY S.p.A.

In 2021, the independent auditors met twice (on 3 February and 27 July) with the other Sabaf Control Bodies. Both of these meetings are minuted.

Also in 2021, EY S.p.A. prepared the specific report pursuant to Art. 11 of European Regulation 537/2014 on the results of the statutory audit, and sent it to the Board of Statutory Auditors which, in turn, sent the "additional" report to the Board of Directors, reporting that it had no observations on the matter. The Board of Directors then examined the document at its meeting on 23 March 2021.

## **9.6. FINANCIAL REPORTING OFFICER AND OTHER ROLES AND CORPORATE FUNCTIONS**

On 6 May 2021, when the new administration and control bodies were appointed, the Board of Directors selected and confirmed Gianluca Beschi, the CFO, as the Financial Reporting Officer.

The Articles of Association state the Financial Reporting Officer should own the requirements laid down by law, and - in all events - special competences with regard to a) accounting and financial information and b) management and control of related procedures, as well as c) at least three years' experience in administration and control activities or management or consulting functions, for listed companies and/or groups of businesses, or companies, organisations or businesses of a significant size, also with regard to the function of preparing corporate and accounting documents. The Board of Directors appoints and revokes the appointment of the Financial Reporting Officer, upon the mandatory and non-binding opinion of the Board of Statutory Auditors.

The Board of Directors invested the following powers in the Financial Reporting Manager:

- having direct contact with the independent auditors, the Control, Risk and Sustainability Committee and the Board of Statutory Auditors;
- acquiring, controlling and verifying information and news, at all equivalent hierarchical levels and above, and also at lower hierarchical levels not dependent on the actual manager; the same powers can also be exercised with regard to subsidiaries and corporate hierarchies of companies subject to consolidation;
- having powers of proposal/evaluation over all procedures adopted within the Company;
- preparing adequate administrative and accounting procedures for the creation of the financial statements and the consolidated financial statements, as well as all other communications of financial nature;
- being equipped with the control and management instruments, including I.T. (both hardware and software) up to a limit of € 25,000 per year;
- assigning tasks, responsibilities and deadlines for the collection and verification of the information;
- availing itself of specialist external consulting services to deal with particular subjects, with a limit for these professional services of € 25,000 per year;
- using the Internal Audit Function for adjustments to comply with Law 262/2005;
- attending conferences, training courses and seminars for updating purposes;
- arranging internal communication channels that guarantee correct intercompany information;
- calling company personnel, at their discretion, in order to update, train and make them aware of their obligations;
- issuing a written statement that attests to the compliance of the Company's acts and communications divulged to the market and relating to the accounting information of the Company, including interim information, with the entries made in the accounting documents, ledgers and records;

- confirming through a dedicated report made available in accordance with the model established through the CONSOB regulation, attached to the financial statements, interim financial statements and consolidated financial statements:
  - the adequate and effective application of the procedures in the previous points in the period to which the documents refer,
  - that the documents were prepared in compliance with the applicable international accounting standards recognised in the European Union pursuant to (EC) regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002,
  - match with the results of the accounting entries and ledgers,
  - are appropriate to give a true and fair view of the financial position, the results of the operations and of the cash flows of the Company and the companies included in the consolidation,
  - for the financial statements and the consolidated financial statements, the report on operations includes a credible analysis of the performance and results of operations, the situation at the issuer, and the companies included in the area of consolidation, along with a description of the key risks and uncertainties to which they are exposed,
  - for the interim financial statements, that the interim report contains a reliable analysis of the information in paragraph 4 of Art. 154-ter of the TUF;
- attending the meetings of the Company's Board of Directors where the examination of the Company's economic and financial data is on the agenda;
- reporting without delay to the CEO and the Board of Directors, also via the Control, Risk and Sustainability Committee, on any aspects of particular significance that he deems incorrect and, as such, must be declared in the certification required by Art. 154-bis of the TUF;
- reporting, at least once a year, to the Board of Directors directly or via the Control, Risk and Sustainability Committee and to the Board of Statutory Auditors.

The Company defined the roles and responsibilities of various subjects involved in the Group's financial information and control training process and the characteristics and management operating methods of the administrative-accounting control system.

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

Sabaf promotes meetings and exchanges of information between the various bodies with auditing and monitoring functions for the organisational, administrative, accounting, internal control and risk management systems of the Company and subsidiaries of strategic importance. The Board of Directors has defined in the Corporate Governance Manual, approved by the Board of Directors on 16 December 2021, the methods of coordination and information flows between these subjects, in order to maximise the efficiency of the internal control and risk management system, reduce duplication of activities and ensure effective performance of tasks.

Specifically, with the exception of the legal provisions with regard to statutory auditors and independent auditors<sup>3</sup>, a meeting is held at least ten days before the approval by the Board of Directors of the draft financial statements (separate the consolidated) and Sabaf's interim report for the following bodies:

- Control, Risk and Sustainability Committee,
- Board of Statutory Auditors,
- Supervisory Body pursuant to Legislative Decree 231/2001,
- Head of Internal Audit,
- Financial Reporting Officer,
- Independent Auditors,

during which information is exchanged on the main results and/or criticalities encountered during the course of the audit activities carried out, with regard to organisational, administrative, internal control and risk management structures. Minutes of the meetings are taken by the Head of Internal Audit, signed by the representatives of the control bodies involved and filed on the official records at the Company's registered office.

Other persons with supervisory and control roles may be invited to attend the above meetings, including the Director in charge of the Internal Control and Risk Management System of the Company and the Statutory Auditors of strategically significant subsidiaries.

In addition to the board meetings referred to above, the continuity and timeliness of exchanges of information between the above-mentioned control bodies are ensured as follows:

- a) the Statutory Auditors attend, also through their Chairman or another Statutory Auditor designated by him, the meetings of the Control, Risk and Sustainability Committee, which are held at least once every six months. In any case, the Board of Statutory Auditors and the Control, Risk and Sustainability Committee can, at any time, also on the initiative of individual members, request the counterparty to promptly exchange information relevant to the performance of their assigned tasks;
- b) the Supervisory Body pursuant to Legislative Decree no. 231/2001 maintains constant relations with the Control, Risk and Sustainability Committee and with the Board of Statutory Auditors, reporting on its own initiative (in any case at least every six months) or at the specific request, individual or otherwise, of each member, of the aforementioned supervisory bodies; the minutes of the meetings of the Supervisory Body are also forwarded to the individual Directors and Auditors;
- c) the Head of Internal Audit reports to the Control, Risk and Sustainability Committee and to the Board of Statutory Auditors on his own initiative, or during the meetings of the Control, Risk and Sustainability Committee which he attends (as provided for in paragraph 9.4.3 above) and, in any case, at least once every six months. However, the aforementioned supervisory bodies can, at any time, also on their own initiative, request their counterparties to promptly exchange information relevant to the performance of their assigned tasks;

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<sup>3</sup> The reference is to the following articles of the TUF: Art. 150, paragraph 3, (The Board of Statutory Auditors and the Independent Auditors must promptly exchange the data and information important for carrying out their respective tasks) and paragraph 4 (Those who are involved in internal controls should also report to the Board of Statutory Auditors surrounding their initiative or, on request, even to just one of the auditors); Art. 151, paragraph 1 (Statutory Auditors can, even individually, carry out inspections or audits, at any time, as well as ask directors for information, also with reference to subsidiaries, about corporate transactions or certain affairs, or direct the same requests for information directly to the administration and control bodies of subsidiaries) and paragraph 2 (the Board of Statutory Auditors can exchange information with corresponding bodies of subsidiaries with regard to administration and control systems and the general performance of corporate activities. [omissis]).

d) the Control, Risk and Sustainability Committee exchanges information with the Independent Auditors and the Financial Reporting Officer with regard to the accounting principles applied and the adequacy of the administrative-accounting procedures applied for the preparation of information of a financial nature about the Company and the Group. The joint exchange of information between the above-mentioned bodies shall take place at least once every six months, as part of the board meetings referred to in letter c) above, or at any time at the request of each of them or of each of its members. The minutes of the Control, Risk and Sustainability Committee meetings are also forwarded to the individual Directors and Auditors.

Each body keeps minutes of the meetings it attends.

## **10. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES**

In compliance with the "Procedure regulating related party transactions" approved in 2010 and later updated in 2012, 2015, 2018 and 2021, the Board of Directors has evaluated and resolved on the execution of related party transactions for 2021. For more information about the above procedure, please see the full text of same, available on the Company's website: [www.sabafgroup.com](http://www.sabafgroup.com), under the section "Investors - Corporate Governance".

No related party transaction carried out by the issuer in the year was considered to be of major significance.

Moreover, in 2021 the Board of Directors did not examine transactions in which a director had a personal interest and for which the application of the "Significant transactions in which directors have an interest" procedure attached to the Corporate Governance Manual.

Following the new appointment of the new administration and control bodies, on 6 May 2021 the Sabaf Board of Directors established the Control, Risk and Sustainability Committee with functions also of Related Party Committee. Please refer to section 9.2 of this Report for information on the composition of the Committee, the functions assigned to it and the activities carried out during the 2021 financial year.

The "Procedure regulating related party transactions" contains rules of conduct to regulate the position of directors who have an interest, even potential and not necessarily conflicting, in the transaction to be implemented by the Company, and to be submitted for approval to the Board of Directors.

In particular, if related party transactions submitted for evaluation by the Control, Risk and Sustainability Committee and resolution by the Board of Directors feature the interests of one or more members of such bodies, the director(s) with such interest must promptly and fully inform the Committee/Board of this before the start of discussion, specifying the nature, terms, origin and extent of the underlying interest (even if potential or on behalf of third parties) and must leave the meeting at the time of discussion and subsequent resolution.



## **11. BOARD OF STATUTORY AUDITORS**

### **11.1. APPOINTMENT AND REPLACEMENT**

On the basis of what is laid down by the Issuer's Articles of Association, the following persons cannot be elected as statutory auditors and, if elected, their office is forfeited: persons not possessing the qualities of professionalism, integrity and independence established by existing laws or else they will find themselves in a situation of ineligibility, incompatibility or forfeiture under the law. In addition, the limits on the maximum number of positions established through the Consob Regulation apply to statutory auditors.

The appointment of the Board of Statutory Auditors takes place based on the lists submitted by holders of voting rights in which the candidates are ranked progressively. Each list has two sections: one for candidates for the office of standing auditor and the other for candidates for the office of alternate auditor.

Only holders of voting rights have the right to submit lists. On their own or together with others, they must overall own shares with voting rights representing at least 2.5% of the share capital with voting rights at the shareholders' meetings for the appointment of members of the administration and control bodies, or the different stake for the presentation of lists for the appointment of the members of the Board of Directors.

Each holder of voting rights, as well as shareholders who are part of a group pursuant to Art. 2359 of the Italian Civil Code, or shareholders who enter into a shareholders' agreement relating to the Company's shares, cannot present – even via interposed persons or trustee companies – more than one list, and cannot vote for several lists.

Each candidate may be included on only one slate, under penalty of ineligibility. Outgoing statutory auditors can be re-elected.

The lists submitted should be filed at the Company's registered office and made available to the public at the registered office and on the Company website, under the terms and conditions of the applicable primary and secondary regulations, and this will be mentioned in the call notice. The lists are accompanied by:

- information on the identity of the shareholders with voting rights who have submitted the lists and the percentages of shareholdings held overall, and certification proving ownership of this shareholding;
- a declaration that the holders of voting rights other than those who can express an absolute majority or relating to the Shareholders' Meeting where they hold, including jointly, a controlling or majority interest, attesting to the absence of relations connecting them to the latter, pursuant to the applicable regulations,
- exhaustive information about the personal and professional characteristics of the candidates, as well as a declaration by said candidates certifying the fulfilment of the requirements laid down by law and by the Articles of Association and the acceptance of the candidature.

The election of statutory auditors takes place according to the following procedure:

- two standing auditors and one alternate auditor are taken from the list which obtained the absolute highest number of votes at the Shareholders' Meeting, based on the progressive order in which they are listed,

- the remaining standing auditor and the other alternate auditor from the list that obtained the greatest number of votes at the Shareholders' Meeting, from the lists submitted and voted on by shareholders who have voting rights and are not connected to the reference shareholders pursuant to the applicable regulations.

If there is a tie in the voting between two or more lists, the most senior candidates in terms of age will be elected.

In case the minimum prescribed number necessary of standing Auditors or Alternate Auditors belonging to the less represented gender is not elected, one shall proceed to the replacement of the most recently elected candidate of the more represented gender of the majority list with the next candidate of the less represented gender who is part of the same list.

If it is not possible to proceed, in full or in part, with the appointments following the above methods, the Shareholders' Meeting will resolve with a majority decision.

If the regulatory and statutory requirements are not met, the statutory auditor's office will be forfeited.

In the event of the replacement of an auditor, he or she is succeeded by the alternate auditor belonging to the same list as the auditor to be replaced.

## **11.2. COMPOSITION AND OPERATION (pursuant to art. 123-bis, (2), (d) and (d-bis), TUF)**

The Board of Statutory Auditors in office was appointed by the Shareholders' Meeting on 6 May 2021 for the 2021 – 2022 - 2023 financial years.

With reference to the appointment of the Board of Statutory Auditors, two lists were filed, the first one by the shareholder Giuseppe Saleri S.a.p.a., which at the date of presentation of the list held 2,415,644 ordinary shares of Sabaf S.p.A. equal to 20.945% of the share capital with voting rights, the other one by the shareholder Quaestio Capital SGR S.p.A., which at the date of presentation of the list held 2,306,690 ordinary shares of Sabaf S.p.A. equal to 20% of the share capital with voting rights, accompanied by all the documentation required by the laws in force. The names of the candidates in the above lists were as follows:

Cinzia Saleri S.a.p.a. list:

- Alessandra Tronconi (Standing Auditor)
- Federico Pozzi (Alternate Auditor)

Quaestio Capital SGR S.p.A. list:

- Maria Alessandra Zunino de Pignier (Standing Auditor)
- Mauro Giorgio Vivenzi (Standing Auditor)
- Christian Carini (Alternate Auditor)

Following the vote cast, the list presented by the shareholder Cinzia Saleri S.a.p.a. obtained favourable votes equal to 45.83% of the share capital represented at the Shareholders' Meeting, the list presented by the shareholder Quaestio Capital SGR S.p.A. obtained favourable votes equal to 49.19% of the share capital represented at the Shareholders' Meeting.

Therefore, the Shareholders' Meeting of 6 May 2021 elected the following candidates as members of the Board of Statutory Auditors of Sabaf S.p.A., who will remain in office until the Shareholders' Meeting to approve the financial statements at 31 December 2023:

- Alessandra Tronconi (Chairman)
- Mauro Giorgio Vivenzi (Standing Auditor)
- Maria Alessandra Zunino de Pignier (Standing Auditor)
- Federico Pozzi (Alternate Auditor)
- Christian Carini (Alternate Auditor)

The standing auditors of the Board of Statutory Auditors fulfil the requirements of eligibility, professionalism, respectability and independence as set forth in the law and other applicable provisions. The curricula vitae are available on the Company's website [www.sabafgroup.com](http://www.sabafgroup.com), under the section "Investors - Corporate Governance".

During the financial year ended 31 December 2021, the Board of Statutory Auditors met on 7 (seven) occasions, on 3 February, 16 March, 2 April, 19 May, 27 July, 19 October and 9 December 2021, respectively. These meetings lasted, on average, roughly two hours and thirty minutes. For the 2022 financial year, the Board of Statutory Auditors has already met on two occasions, namely on 3 February 2022 and 10 March 2022.

The Board of Statutory Auditors, at the meeting on 10 March 2022, verified the correct application of the criteria and procedures adopted by the Board of Directors for the purpose of evaluating the satisfaction and continuing fulfilment of the independence requirements for the directors. On the same date, the Board of Statutory Auditors also carried out its own self-assessment, as required by standard Q.1.1 of the "Rules of Behaviour of the Board of Statutory Auditors of listed companies", sending the results to the Board of Directors. During the above self-assessment, the Board of Statutory Auditors verified, among other things, that the independence requirement was still valid for its members, as envisaged by the Corporate Governance Code.

Following the renewal of the corporate bodies, which took place during the Shareholders' Meeting of 6 May 2021, on 19 May 2021 the Board of Statutory Auditors positively assessed, on the basis of the documentation prepared and signed by each individual member of the control body, the position of each Statutory Auditor with reference to the requirements of independence, honourableness and professionalism established by Art. 148 of the TUF, the provisions of the "Rules of Behaviour of the Board of Statutory Auditors of listed companies" issued by the Italian Board of Certified Public Accountants and Bookkeepers, as well as other legal provisions.

**TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT THE END OF THE REPORTING PERIOD**

Board of statutory auditors									
Office	Components	Year of birth	Date of first appointment (*)	In office since	In office until	List (M/m) (**)	Indep. based on Code	Attendance at Board meetings (***)	No. of other offices (****)
Chairman	Alessandra Tronconi	24/07/1967	2018	06/05/2021	2023	m	X	6/6	12
Standing Auditor	Mauro Giorgio Vivenzi	23/11/1965	2018	06/05/2021	2023	M	X	6/6	13
Standing Auditor	Maria Alessandra Zunino De Pignier	01/05/1952	2021	06/05/2021	2023	M	X	3/3	3
Alternate Statutory Auditor	Christian Carini	22/06/1980	2021	06/05/2021	2023	M	-	-	-
Alternate Statutory Auditor	Federico Pozzi	14/09/1958	2021	06/05/2021	2023	m	-	-	-
----- AUDITORS NO LONGER IN OFFICE DURING THE YEAR UNDER REVIEW -----									
Standing Auditor	Luisa Anselmi	19/02/1966	2015	08/05/2018	06/05/2021	M	X	3/3	7
<b>Number of meetings held during the year under review:</b>							12		
<b>Quorum required for the presentation of lists by minorities for the election of one or more members (pursuant to Art. 147-ter TUF):</b>							<i>2.5% of the share capital with voting rights at the Ordinary Shareholders' Meeting</i>		

**NOTES**

(\*) The date each statutory auditor was first appointed refers to the date on which the statutory auditor was appointed for the first time by the Board of Directors of the issuer.

(\*\*) This column indicates whether the list from which each statutory Auditor was drawn is "majority" (indicating "M"), or "minority" (indicating "m"),

(\*\*\*) This column indicates the attendance of statutory auditors at board meetings (indicate the number of meetings attended in relation to the total number of meetings that could have been attended: e.g. 6/8; 8/8 etc.).

(\*\*\*\*) This column indicates the number of director or auditor offices held by the party in question pursuant to Art. 148-bis of the TUF and implementation arrangements in the Consob Issuers' Regulation. The full list of offices is published by Consob on its website pursuant to Art. 144-quinquiesdecies of the Consob Issuers' Regulation.

### **Diversity criteria and policies**

On 11 February 2021, the Board of Directors of Sabaf S.p.A., at the suggestion of the Remuneration and Nomination Committee and in compliance with the provisions of Recommendation No. 23 of the Corporate Governance Code, updated the Policy on the Composition of Corporate Bodies.

This Policy sets out the Company's guidelines on the characteristics considered functional to ensuring an optimal composition of the corporate bodies (Board of Directors and Board of Statutory Auditors), with the aim of guiding the names put forward by the Shareholders when renewing the Corporate Bodies, so that the benefits that can derive from a balanced composition of the Board and Board of Statutory Auditors inspired by criteria of diversity are taken into consideration.

In the same way as with the Board of Directors, also with regard to the composition of the Board of Statutory Auditors, the Policy adopted by Sabaf is in addition to (but does not replace) the regulatory requirements and the provisions of law in force and illustrates the characteristics deemed essential for the Statutory Auditors to be able to carry out their duties in the most effective way; specifically:

- a) **Independence, training and professional experience**: Please refer to the requirements of the mandatory regulations and the Corporate Governance Code (in accordance with Recommendation 9 of the Corporate Governance Code, the Statutory Auditors may be qualified as independent auditors on the basis of the same criteria as those laid down for Directors);
- b) **Gender**: As already defined in the Articles of Association (which implements the law provisions on gender distribution), gender balance must be guaranteed within the Board of Statutory Auditors;
- c) **Age and seniority in office**: It is considered useful to ensure a balanced combination of different seniorities in office - as well as age groups - within the Board of Statutory Auditors;
- d) **Numbers**: Pursuant to the Articles of Association, the Board of Statutory Auditors is composed of three Standing auditors and two alternate auditors.

Furthermore, the Policy stresses the need for all Statutory Auditors to ensure that they have sufficient time to perform their duties diligently.

The Board of Directors, with the support of the Remuneration and Nomination Committee and the Board of Statutory Auditors, is responsible for monitoring the implementation of the Policy, and monitors its results starting with the renewal of the Corporate Bodies occurred during the Shareholders' Meeting convened on 6 May 2021.

The composition of the current Board of Statutory Auditors complies with the diversity requirements laid down by the applicable regulations applicable at the time of its appointment. With particular reference to gender balance, one third of Standing and Alternate Auditors belong to the less represented gender.

The Policy on the composition of the Corporate Bodies is published on the company website at [www.sabafgroup.com](http://www.sabafgroup.com), under the section "Investors - Corporate Governance".

## **Independence**

The requirement of independence is assessed by the Board of Statutory Auditors, after appointment and, subsequently, upon the occurrence of circumstances relevant to independence and in any case at least once a year, having regard more to substance than to form, on the basis of the information provided by each member of the Board of Statutory Auditors, according to the same criteria of independence defined in the Corporate Governance Manual (according to the provisions of Art. 2 Recommendation 9 of the Corporate Governance Code, Statutory Auditors can be qualified as independent on the basis of the same criteria as Directors, with the exception of any additional remuneration received for positions as Statutory Auditors in subsidiaries).

The results of the independence assessments shall be disclosed to the market immediately after the appointment by means of a specific press release and, subsequently, in the Corporate Governance Report, in the same way as for Directors.

All members of the Board of Statutory Auditors meet the requirements of independence. All the information made available by each member of the Board of Statutory Auditors was taken into account when carrying out the independence assessments.

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In 2021, and in compliance with the requirements of Art. 19 of Legislative Decree 39/2010, the Board of Statutory Auditors analysed the data, information and documents made available by the Company, which fall within the scope of the ordinary control duties of the Board of Statutory Auditors.

In 2021, the members of the Board of Statutory Auditors were involved in specific induction activities with the members of the Board of Directors, as defined in section 4.2 of this report, aimed at providing them with adequate knowledge about the sector of activity in which Sabaf operates, corporate dynamics and their development, as well as the regulatory reference framework.

In line with the provisions of the Corporate Governance Manual of the Issuer, the following principles of behaviour apply to the members of the Board of Statutory Auditors:

- they act with autonomy and independence even in regard to the Shareholders who elected them;
- they accept the office when they consider to be able to dedicate the time necessary to the diligent performance of their duties (and in any case after satisfaction of the requisites required by law);
- the remuneration of the Statutory Auditors is commensurate with the required commitment, to the importance of the role and to the dimensional and sectoral characteristics of the undertaking;
- each Statutory Auditor will promptly and exhaustively inform the others and the Chairman of the Board of Directors if they have an interest, of their own or on behalf of third parties, in a given transaction relating to Sabaf or its subsidiaries. During 2021, there were no situations in which the auditors had to make such declarations;
- they are required to maintain confidential the documents and information acquired in the performance of their duties and to comply with the procedure adopted by Sabaf for internal management and external disclosure of such documents and information.

## 12. SHAREHOLDER RELATIONS

### Access to the information

The Company has established a dedicated section in its website, that can be easily identified and accessed, in which the information that is important to shareholders is available so that they can exercise their rights with full knowledge.

Gianluca Beschi is the Investor Relations Manager. A specific corporate structure has not been set up because, even taking into consideration the size of the Company, the functions are directly performed by the Investor Relations Manager.

### Dialogue with shareholders

Sabaf's Board of Directors makes every effort to establish an ongoing and transparent dialogue with shareholders, based on an understanding of their mutual roles, as well as to promote initiatives aimed at encouraging the widest possible attendance of shareholders at meetings and facilitating the exercise of shareholders' rights.

In this perspective, on 10 February 2022 the Board of Directors, after examination by the Control and Risk and Sustainability Committee, adopted the Policy for the Management of Dialogue with Shareholders, which regulates the opportunities for communication and attendance with all the Investors that require contact with the Board of Directors on the following matters:

- corporate governance system;
- remuneration policies;
- internal control and risk management system;
- strategic and industrial plans of the Company;
- strategic guidelines and policies on environmental and social sustainability.

The Policy entrusts the management of the dialogue with investors to the Chairman, the Chief Executive Officer and the CFO, even severally, with the power to decide - in consideration of the subject matter and purpose of the contact received - the participants on behalf of the Company and with the obligation to periodically inform the Board of Directors.

The Board of Directors monitors the correct application of this Policy and periodically checks its adequacy in the light of the evolution of the law, regulations, self-regulation and best practices on the subject, reviewing it whenever necessary.

This Policy is made available to Investors and to the public on the Company's website [www.sabafgroup.com](http://www.sabafgroup.com) in the "Investors - Corporate Governance" section.

### 13. SHAREHOLDERS' MEETINGS

The operating mechanisms of the Shareholders' Meeting, its main powers, shareholders' rights and how to exercise them, are those provided for by the laws in force and are regulated within the Company Articles of Association and the Shareholders' Meeting Regulations, the full text of which is available on the website at: [www.sabafgroup.com](http://www.sabafgroup.com), in the "Investors - Corporate Governance" section.

In 2010, the Shareholders' Meeting approved Meeting Regulations governing the orderly and effective carrying-out of the shareholders' meetings; during the 2021 financial year, the Meetings Regulations have not changed.

The Meetings Regulation describes, among other things, the manner by which the right of each shareholder to speak on the topics on the agenda for discussion is guaranteed. Specifically:

- the Chairman of the Meeting directs the discussion by giving the floor to the directors, auditors and to those who have requested to speak;
- those entitled to exercise their voting rights may ask to speak only once about the items on the agenda for discussion, making observations and asking for information. Those entitled to exercise their voting rights may also make proposals. The request can be made until the Chairman has declared the discussion on the matter concerned closed;
- the Chairman establishes the procedures for requesting the floor and the order of the floor. The Chairman and, at his invitation, those who assist him, respond to the speakers at the end of all interventions on the items under discussion, or after each intervention, also taking into account any questions made by members prior to the Meeting that have not already been answered by the Company;
- those who have asked for the floor have the right to make a brief reply;
- the Chairman, taking into account the object and the importance of the individual items on the agenda for discussion, as well as the number of requests to speak, and any questions raised by members prior to the Meeting that have not already been answered by the Company, predetermines the duration of interventions and replies in order to ensure that the Meeting can conclude its work in a single meeting.

With regard to the Shareholders' Meetings held in 2021, the attendance of those who have the right to vote at the Shareholders' Meeting is allowed exclusively by the appointed representative, pursuant to Art. 106 of Decree Law No. 18 of 17 March 2020, converted by Law no. 27 of 24 April 2020, as well as of Art. 3 of Decree Law no. 183 of 31 December 2020, as converted by Law no. 21 of 26 February 2021.

The Shareholders' Meeting was attended by 7 (seven) directors and the Board of Directors reported on the activities carried out and planned and has provided the shareholders with adequate information surrounding the necessary elements so that they can take the necessary decisions with full knowledge of the facts. During the 2021 financial year, there were no significant changes in market capitalisation or in the composition of the shareholding structure for the Board of Directors to assess whether to propose to the Shareholders' Meeting amendments to the Articles of Association concerning the percentages set for exercising the actions and rights provided to protect minority shareholders.



As indicated in section 4.1 of the Report, during the 2021 financial year, the Board of Directors did not deem it necessary to draw up proposals to define a different corporate governance system, considering that:

- the current model is adequate and functional to the company's requirements, as it accurately identifies the tasks and responsibilities of the management and control bodies;
- the Board operates efficiently, as shown by the outcome of the last self-assessment, to the paragraph of which reference is made for comments;
- the disclosure and behaviour requirements to which the Company is subject ensure transparent management of the business in line with best practice.

## **14. OTHER CORPORATE GOVERNANCE PRACTICES (pursuant to Art. 123-bis, (2)(c) TUF)**

### **Honorary Chairman**

Pursuant to Art. 13-bis of the Articles of Association, the Board of Directors can appoint an Honorary Chairman not necessarily among its members, if he/she has not already been appointed by the Shareholders' Meeting, chosen from among persons who have contributed to the establishment or development of the company.

The office of Honorary Chairman does not determine the power of signature or powers of representation of the company

The Board of Directors determines the remuneration, if any, and any other remuneration and/or reimbursement of expenses due to the Honorary Chairman, who shall remain in office for the duration established by the resolution of appointment, unless he/she resigns or is revoked.

On 6 May 2021, on the occasion of the renewal of the corporate bodies, the Board of Directors appointed Giuseppe Saleri, founder and historical Chairman of the company, as a permanent "Honorary Chairman" with the right to attend the Board of Directors' meetings and the Shareholders' Meetings, with the right to express non-binding opinions on the matters discussed, but without voting rights.

## **15. CHANGES SINCE THE END OF THE REPORTING YEAR**

There have not been changes in the structure of Corporate Governance at 31 December 2021 and up to the date of this Report.

## **16. CONSIDERATIONS ON THE LETTER OF 3 DECEMBER 2021 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

The recommendations made in the letter of 3 December 2021 by the Chairman of the Corporate Governance Committee, although not formally brought to the attention of the Board of Directors and the Board of Statutory Auditors, were examined and taken into consideration by Sabaf, with a view to ensuring full compliance with the best practices of Corporate Governance. In particular, note the following:

### ***1) Sustainable success***

This 2021 Corporate Governance Report sets out how the Company pursues sustainable success, which is considered an integral and fundamental part of defining business strategies. The board of directors is responsible for integrating sustainability objectives into the business plan, the internal control and risk management system and remuneration policies.

### ***2) Promoting dialogue with shareholders and relevant stakeholders***

Sabaf S.p.A. has always believed that the establishment and maintenance of transparent and ongoing communication with the Shareholders and the market aimed at building solid and lasting relationships is of relevant importance in that it allows for a greater understanding of the strategies and activities of the Company and the Group and can contribute to improving financial and non-financial results, including environmental, social and governance factors, while at the same time providing an incentive for the medium to long-term commitment of its Shareholders.

In this perspective, Sabaf has, for several years, established multiple forms of dialogue and, at its meeting of 10 February 2022, the Board of Directors adopted a specific policy for dialogue with shareholders.

### ***3) Classification of Companies***

The new Corporate Governance Code developed a greater differentiation of recommendations according to the new categories of companies identified, based on their respective size and control model: "large companies" defined as companies whose capitalisation exceeded €1 billion on the last trading day of the previous three calendar years, and "concentrated companies" defined as companies in which one or more shareholders participating in a shareholders' agreement hold, directly or indirectly, the majority of the votes exercisable at the ordinary shareholders' meeting.

The Company does not fall within the Code's definitions of "large company" and/or "concentrated ownership company".

### ***4) Application of the independence criteria***

Within the Policy on the composition of corporate bodies, in the version adopted by the Board of Directors on 11 February 2021, the quantitative and/or qualitative criteria for assessing the significance of the relationships referred to in Recommendation 7. of the new Corporate Governance Code have been defined ex ante.

### **5) Quality of reporting to the Board of Directors**

Aware of the importance of full and timely disclosure of information to Directors and Statutory Auditors, Sabaf takes the utmost care to ensure that documentation is available in advance, while maintaining the utmost confidentiality.

At its meeting of 10 February 2022, the Board of Directors approved the regulations governing the organisation and functioning of the Company's Board of Directors, including, inter alia, the procedures for managing the pre-meeting information to Directors.

The quality of the pre-meeting disclosure and the timeliness in sending the documentation are specifically assessed as part of the annual self-assessment process by the Board of Directors. On these points, also with reference to the year 2021, there was a general and broad appreciation by the Directors.

### **6) Appointment and succession of directors**

At present, there are no succession plans for the chief executive officer, executive directors and top management, the adoption of which is recommended by the Code only for "large companies".

With regard to the recommendations with respect to the renewal of the Board of Directors, note that the Company's Corporate Governance Manual requires the Board to express, in view of each renewal of the Board of Directors, an indication on its optimal quantitative and qualitative composition, taking into account the results of the self-assessment

### **7) Gender equality**

Sabaf is constantly committed to ensuring equal opportunities for women employees, who at the end of 2021 represent 39.1% of the workforce (38% in 2020).

With regard to the composition of corporate bodies, as defined in the Policy on the Composition of Corporate Bodies, approved by the Board of Directors on 11 February 2021, in addition to the law provisions on gender distribution, it is considered essential to create and maintain a gender balance within the management body, ensuring that at least two fifths of the Board of Directors, both at the time of appointment and during the term of office, is made up of Directors of the least represented gender. As regards the Board of Statutory Auditors, it is required to ensure a gender balance within the Board.

### **8) Remuneration policies**

With regard to issues relating to the variable remuneration component, the possibility of disbursing sums not related to predetermined parameters and severance indemnities, please refer to the "Remuneration Policy" document available on the website at [www.sabafgroup.com](http://www.sabafgroup.com), under the section "Investors - Corporate Governance".

Sabaf welcomed the new Code, fully endorsed its new features and has taken action on its governance model for the timely and full application of the Code, as described in this Report.