



SABAF S.p.A.

Procedure regulating related-party transactions

(pursuant to Article 2391-bis of the Italian Civil Code, as well as the Consob Regulation on Related Parties approved by resolution no. 17221 of 12 March 2010, as amended and supplemented - updated with the amendments made by resolution no. 21624 of 10 December 2020)

Document approved by the Board of Directors of Sabaf S.p.A.

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1. Foreword and regulatory references

In order to implement the CONSOB Regulation comprising “provisions on related-party transactions”, adopted with resolution 17221 of 12 March 2010 as amended and supplemented (updated with the amendments made by resolution no. 21624 of 10 December 2021), hereinafter also referred to as the "Regulation", and in order to comply with current international best practices and the provisions of the Corporate Governance Code and the Italian Civil Code (Article 2391-*bis*), Sabaf S.p.A. (hereinafter also "Sabaf" or the "Company") adopted this procedure, the main objective of which is to define the guidelines and criteria for identifying related-party transactions and setting out roles, responsibilities and operating methods so as to guarantee, for such transactions, adequate information transparency and the related procedural and substantial correctness.

2. Definitions

RELATED PARTY

A party is a related party of Sabaf if he/she/it:

- (a) directly or indirectly, even through subsidiaries, a trust or by proxy:
 - (i) controls Sabaf, is controlled by it, or is under common control;
 - (ii) holds an equity investment in Sabaf in such a way as to exercise significant influence over it;
 - (iii) controls Sabaf jointly with other parties;
- (b) is an associated company of Sabaf;
- (c) is a joint venture in which Sabaf is a participant;
- (d) is one of the executives with strategic responsibilities of Sabaf;
- (e) is a close relative of one of the parties indicated in (a) or (d);
- (f) is an entity over which one of the parties indicated in (d) or (e) exercises control, joint control or significant influence or holds, directly or indirectly a significant share, in any case not less than 20%, of voting rights;
- (g) is an Italian or foreign, collective or individual supplementary pension fund, set up for Sabaf's employees, or any other related entity.

RELATED-PARTY TRANSACTIONS¹

A related party transaction is any transfer of resources, services or obligations between related parties, regardless of whether or not a price is charged.

Such transactions are in any case considered to include:

- (a) Mergers, demergers by incorporation or non-proportional demergers as such, when undertaken with related parties;
- (b) any decision relating to the assignment of remuneration and economic benefits, in any form, to the members of the administration and control bodies and to executives with strategic responsibilities of Sabaf S.p.A.

CONTROL AND JOINT CONTROL²

Control is the power to determine the financial and management policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when a party owns, either directly or indirectly via its

¹Definition under IAS 24 (*Related Party Disclosures*).

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subsidiaries, more than half of the voting rights of an entity unless, in exceptional cases, it can be clearly demonstrated that such possession does not constitute control. Control also exists when a party owns half, or less than half, of voting rights exercisable at shareholders' meetings if the party has:

- (a) control over more than half of voting rights by virtue of an agreement with other investors;
- (b) the power to determine the financial and management policies of the entity by virtue of the articles of association or an agreement;
- (c) the power to appoint or remove the majority of the members of the Board of Directors or of the entity's equivalent governing body, and control of the entity is vested in that board or body;
- (d) the power to cast the majority of votes at meetings of the Board of Directors or of the entity's equivalent governing body, and control of the entity is vested in that board or body.

Joint control is the contractually agreed sharing of control of an agreement, which exists only when the unanimous consent of all parties sharing control is required for decisions relating to the relevant activities.

SIGNIFICANT INFLUENCE³

Significant influence is the power to participate in the financial and operating policy decisions of an entity without having control over it. Significant influence can be obtained through share ownership, clauses in the articles of association or agreements.

If 20% or more of the voting rights in the shareholders' meeting of the investee is directly or indirectly held by the party (for example through subsidiary companies), a significant influence is presumed to exist unless it can be demonstrated to the contrary. On the other hand, if less than 20% of the voting rights in the shareholders' meeting of the investee is directly or indirectly held by the party (for example through subsidiary companies), a significant influence of the investor is not presumed to exist unless such influence can be clearly demonstrated. The presence of another party holding an absolute or relative majority of the voting rights does not necessarily preclude a party from having significant influence.

The existence of significant influence is typically indicated by the occurrence of one or more of the following circumstances:

- (a) the representation of the investee in the Board of Directors or equivalent body;
- (b) the participation in the decision-making process, including participation in decisions concerning dividends or other types of profit distribution;
- (c) the presence of significant transactions between the investor and the investee;
- (d) interchange of managerial personnel;
- (e) the provision of essential technical information.

EXECUTIVES WITH STRATEGIC RESPONSIBILITIES⁴

Executives with strategic responsibilities are those who, directly or indirectly, have the power and the responsibility to plan, manage and control the company's activities, including the directors (executive or otherwise) of the company itself and the statutory auditors.

Executives with strategic responsibilities other than directors and statutory auditors are identified by the Board of Directors.

²Definitions under IFRS 10 and IFRS 11 (*Joint Arrangements*).

³ Definitions under IAS 28 (*Equity investments in associates and joint ventures*).

⁴ Definition under IAS 24 (*Related Party Disclosures*), paragraph 9.

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CLOSE RELATIVES⁵

Close relatives of a party are those family members who are expected to influence or be influenced by that party in their dealings with the company, including:

- (a) the children and the spouse or common-law spouse of that person;
- (b) the children of the spouse or common-law spouse of that person;
- (c) the dependants of that person or of that person's spouse or common-law spouse.

SUBSIDIARY COMPANY⁶

A subsidiary is an entity, including unincorporated entities, as in the case of a partnership, controlled by another entity.

ASSOCIATED COMPANY⁷

An associated company is an entity, including unincorporated entities, as in the case of a partnership, in which a shareholder has significant influence but not control or joint control.

JOINT VENTURE

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

SMALLER COMPANIES

These are companies where neither assets nor revenues, as reported in the last set of annual consolidated financial statements approved by shareholders, exceed € 500 million. Smaller companies can no longer qualify as such if they fail to meet the above requirements together for two consecutive financial years.

Pursuant to Article 10 of the Regulation, Sabaf, falling within the category in question, avails itself of the right to depart from the provisions of Article 8 applying to transactions of greater importance the procedure adopted for transactions of lesser importance (pursuant to Article 7 of the same Regulation) as detailed in paragraph 5.4 of this Procedure. This process, while equally rigorous, is more in line with the Company's requirements for simplicity and streamlined operations. This procedure reflects that choice. To this end, annually and at the time of the approval of the financial statements, the Administration, Finance and Control Director (CFO) is responsible for checking and confirming Sabaf's "Smaller Company" status, in accordance with the provisions of the Sabaf S.p.A. Corporate Governance Manual.

INDEPENDENT DIRECTORS

Directors are independent if they meet the independence requirements of Article 148, paragraph 3, of the TUF (Italian Legislative Decree no. 58 of 24 February 1998 as amended and supplemented), any additional requirements identified in the procedures envisaged by Article 4 of the Regulation or established by sector regulations applicable by virtue of the business carried on by the company and – if the company declares,

⁵ Definition under IAS 24 (*Related Party Disclosures*), paragraph 9.

⁶As also defined by Article 2359 of the Italian Civil Code: "Subsidiaries are defined as: 1) companies in which another company holds the majority of voting rights in the ordinary shareholders' meeting; 2) companies in which another company has a number of votes that is high enough to ensure a significant influence on the ordinary shareholders' meeting; 3) companies that are under the significant influence of another company by virtue of special contractual obligations with it. In order to apply numbers 1) and 2) of the first paragraph, the voting rights pertaining to subsidiaries, trust companies and proxies are also calculated: the voting rights on behalf of third parties are not calculated. ..."

⁷As also defined by Article 2359 of the Italian Civil Code: "...Companies over which another company exercises significant influence are considered to be associated. Influence is presumed when at least one fifth of votes can be cast at the ordinary shareholders' meeting or one tenth if the company's shares are listed on the stock market" ..

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pursuant to Article 123-bis, paragraph 2, of the TUF, that it complies with a code of conduct promoted by the manager of regulated markets or by trade associations that envisages independence requirements at least equivalent to those of Article 148, paragraph 3, of the TUF – directors and board members are recognised as such by the company in application of said code.

Sabaf complies with the Corporate Governance Code for Listed Companies; therefore, directors are considered independent if they are recognised as such by the Board of Directors in application of this Code.

UNRELATED DIRECTORS

Directors other than the counterparty of a given transaction and its related parties.

UNRELATED SHAREHOLDERS

Parties other than the counterparty to a particular transaction and parties related both to the counterparty to a particular transaction and to the company, who have voting rights.

RELATED-PARTY TRANSACTIONS OF "GREATER IMPORTANCE"

Pursuant to Annex 3 of the Regulation, transactions of greater importance are defined as transactions in which at least one of the following relevance ratios, applicable depending on the specific transaction, exceeds the 5% threshold⁸:

- a) Equivalent-value relevance ratio;
- b) Asset relevance ratio;
- c) Liabilities relevance ratio.

For details of the definition of these ratios, please refer to Annex D of this procedure.

TRANSACTIONS INVOLVING SMALL AMOUNTS

Related-party transactions amounting individually to less than € 50,000 are considered transactions involving small amounts. For the purpose of applying this low threshold, a transaction is considered to be a set of related transactions under a single contract/plan.

RELATED-PARTY TRANSACTIONS OF "LESSER IMPORTANCE"

Related-party transactions other than transactions of greater importance and transactions involving small amounts are transactions of lesser importance.

DIRECTOR'S INTEREST

A director has an interest whenever he or she can gain any type of benefit, personally or on behalf of others, from the corporate transaction being assessed, even if the benefit is not strictly financial, regardless of the effects for the company of the transaction concerned.

The term "Interest on behalf of third parties" also means an interest arising from legally relevant relationships, including any offices held in other companies or cohabitation relationships and de facto social relationships, potentially able to influence the director and induce him/her to give preference to non-corporate interests.

SIGNIFICANT INTERESTS

For the purposes of this document, identification of the degree of importance of an interest is the joint responsibility of the CFO and of the Chairman of the Control and Risk Committee based on both formal and

⁸ Transactions with the listed parent company or with related parties that are themselves related to the companies, if at least one of the Relevance ratios exceeds the 2.5% threshold.

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substantial elements such as, by way of example but not limited to, (i) sharing, among the companies involved, one or more directors or executives with strategic responsibilities whose remuneration is variable and largely or totally dependent on the results achieved by the companies concerned/involved in the transaction; and (ii) the fact that the companies involved in the transaction have shareholders/controllers companies in common, such as to make it possible, in theory, for resources to be shifted between companies, leading in theory to economic, tax, financial, etc. benefits for one party involved to the detriment of the others.

3. Scope of application

What is described in this document applies, in general, to all related-party transactions carried out by Sabaf S.p.A. and all its subsidiary and associated companies.

This procedure is not applicable, however, to:

- transactions involving small amounts as identified in paragraph 2 of this Procedure;
- remuneration plans based on financial instruments approved by shareholders' meeting pursuant to Article 114-bis of the TUF and related implementation transactions;
- resolutions relating to the remuneration of Directors with special duties, as well as executives with strategic responsibilities in Sabaf group companies, provided that:
 - i. Sabaf has adopted a remuneration policy approved by the Shareholders' Meeting;
 - ii. a committee consisting exclusively of non-executive, mostly independent, directors was involved in defining the remuneration policy;
 - iii. a report detailing the remuneration policy was submitted to the Sabaf shareholders' meeting for approval or an advisory vote;
 - iv. the remuneration granted was consistent with this policy and quantified on the basis of criteria that do not involve discretionary assessments.
- transactions with or between subsidiaries and transactions with associated companies, as long as other related parties of the Company have no significant interests in such companies. The significance of interests must be assessed by the CFO, in agreement with the Chairman of the Control and Risk Committee.
- shareholders' meeting resolutions concerning the remuneration of the members of the board of directors, nor resolutions concerning the remuneration of directors holding special offices included in the total amount previously determined by the shareholders' meeting, nor resolutions concerning the remuneration of the members of the board of statutory auditors.
- transactions decided by the Company and addressed to all shareholders on equal terms, including:
 - i. share capital increases offered under option and bonus issues;
 - ii. total or partial demergers as such with proportional share allocation;
 - iii. reductions of share capital by repayment to shareholders and purchases of shares.

The independent directors who express opinions on related-party transactions receive an annual flow of information on the application of the cases of exemption that Sabaf uses and check the correct application of the conditions of exemption on transactions of greater importance communicated to them.

4. Roles and responsibilities

Sabaf Shareholders' Meeting: resolves on (i) the carrying-out of related-party transactions and (ii) on the information document for transactions of greater importance, for what of direct concern.

Sabaf Board of Directors: resolves on (i) the adoption of this procedure and subsequent updates; (ii) the carrying-out of related-party transactions; and (iii) information document for transactions of greater importance, for what of direct concern. It approves the annual and interim management report, also containing information on the related-party transactions carried out by the Group.

Sabaf Related-Party Committee: provides a preliminary opinion concerning the Board of Directors' approval of the procedure in question and related amendments. Given Sabaf's characteristics, size and organisational structure, the Board of Directors deemed it appropriate - as matters currently stand - to assign the functions

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of the Related-Party Committee to the Control and Risk Committee, which consists exclusively of independent directors.

Sabaf Control and Risk Committee: analyses related-party transactions, issuing its reasoned opinion on the company's interest in completing the transaction, as well as on the suitability and essential correctness of the related conditions. The Chairman of the Committee is responsible, together with the CFO, for identifying any significant interests in intra-group transactions.

Sabaf Administration, Finance and Control Director (CFO): coordinates the process of maintaining the list of related parties, identifies, if any, significant interests in intra-group transactions (in agreement with the Chairman of the Control and Risk Committee and annually checks Sabaf's "Smaller Company" requirement, in accordance with the provisions of the Sabaf S.p.A. Corporate Governance Manual.

Sabaf Board of Statutory Auditors: oversees observance of the procedure and its compliance with the Regulation and reports on this to the Shareholders' Meeting.

Sabaf Chief Executive Officer: validates the periodic report on transactions carried out with the dissenting opinion of the Control and Risk Committee.

Sabaf Administration, Finance and Control Department: prepares, for each related-party transaction, the documentation required for internal evaluations and decisions and, if appropriate, the information document. It prepares the periodic report on related parties.

Investor Relations Manager: carries out, if necessary, public disclosures pursuant to Article 114 of the TUF.

Chief Executive Officer of subsidiary companies: ensures coordination with Sabaf, sending the required information flows to the parent company.

5. Management of related-party transactions

5.1 Criteria for identifying related parties

The CFO coordinates the gathering of information required to identify and keep updated the list of Sabaf's related parties.

To do this, on an annual basis at the beginning of the financial year, the CFO identifies and asks all natural persons coming with the categories of letters (a) and (d) in the definition of a Related Party (see Section 2 – Definitions) to complete the "Related-Party Declaration Form" (Annex A of this procedure) indicating (i) the list of close relatives and (ii) the list of parties controlled by them or by their close relatives or over which they, or their close relatives exercise significant influence. It is the responsibility of the census takers to complete the Form with the required information, as defined in Chapter 2 "Definitions" of this document, consistent with their actual family situation.

The Administration, Finance and Control Department assigns to each counterparty identified as a related party an identification "attribute" in the company ERP to permit monitoring of transactions with these parties and ensure the start of the process specified below in the procedure.

It is also the responsibility of the parties identified above to promptly notify the CFO of any subsequent change to the information declared in the form so that the CFO can promptly inform the staff responsible for managing the databases also during the year.

Information flows to subsidiaries

The CFO sends the results of the annual census to the Boards of Directors of subsidiaries so that they can apply this procedure, for the part within their sphere of responsibility.

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5.2 Preparation of documentation relating to transactions

For each related-party transaction falling within the scope of this procedure, Sabaf's Administration, Finance and Control Department prepares a dossier - ensuring its completeness and accuracy - that summarises the key characteristics, the nature of the relationship, related methods of execution, economic and financial conditions, the interest, underlying motivations and any risks for the Company.

This documentation must be delivered to the members of the Control and Risk Committee and of the Board of Directors within the 5 working days preceding the meeting when discussion of the transaction is on the agenda, except in extremely urgent cases.

5.3 Transactions of lesser importance - consultation and approval process

A) Expression of the reasoned opinion of the Control and Risk Committee

The Control and Risk Committee analyses the dossiers received and expresses a reasoned opinion on the Company's interest in carrying out the transaction, as well as on the suitability and essential correctness of the related conditions. This opinion is formalised in the minutes of the meeting.

The Committee immediately issues its reasoned opinion to the Board of Directors, which is the sole body, together with the Shareholders' Meeting, with competence for resolutions on related-party transactions. This opinion is formalised in the minutes of the meeting.

B) Involvement of independent experts

If it deems it necessary, the Committee can request the involvement, at Sabaf's expense, of an independent specialist, for whose selection Sabaf's internal procedures may not be applied, as long as:

- the reasons underlying the selection of the professional are formalised, together with an assessment of the reasonableness of the rates applied by the professional;
- the relationship is formalised in a contract or letter of engagement;
- the fee for the professional service is commensurate with the value and nature of the transaction but in any case not more than € 20,000, unless approved by the Board of Directors;

if the Committee deems it necessary to involve an independent expert, the Committee must first verify the independence of such expert.

C) Resolution of the Board of Directors and/or Shareholders' Meeting

The Board of Directors analyses the dossiers received and, having received the reasoned opinion of the Control and Risk Committee, decides in a reasoned manner on the motivations, suitability and essential correctness for the Company of the transaction's conditions. The resolution of the Board of Directors can be adopted, provided it is justified, despite the dissenting opinion of the Control and Risk Committee.

The resolution, complete with detailed supporting motivations, is documented by the secretary and put on record in the relevant corporate book.

If the transaction falls within the competence of the Board of Directors, the directors involved in the transaction must abstain from voting on it.

The provisions of paragraph 5.3 of the Procedure are applied even if a transaction of lesser importance falls within the competence of the Shareholders' Meeting; the operating methods of reference for the adoption of resolutions at shareholders' meetings are those laid down by law and by the Articles of Association⁹.

D) Transactions undertaken by subsidiaries

⁹ Available on the website www.sabaf.it in the Investors/Corporate Governance/Articles of Association and Regulations section.

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All related-party transactions involving other Group companies are normally managed directly at Sabaf S.p.A., observing this Procedure. More specifically, the subsidiary’s Chief Executive Officer informs Sabaf S.p.A., in the person of the CFO, reasonably in advance and in a formal manner, of the related-party transaction so that the latter can initiate the process described in the previous paragraphs and, if appropriate, the transparency procedures (as set out below).

5.4 Transactions of greater importance – consultation and approval process¹⁰

For related-party transactions of greater importance, the same operating procedures apply as for transactions of lesser importance (see §5.3, points A, B, C and D), with the additional provisions set out below.

A) Expression of the reasoned opinion of the Control and Risk Committee

The Control and Risk Committee has the right to be involved in the negotiation and preliminary investigation phase, through the receipt of a complete, timely and updated information flow; the Committee has also the right to request information and to make comments to the delegated bodies and the parties in charge of the negotiations or preliminary investigation.

B) Resolution of the Board of Directors and/or Shareholders' Meeting

The Board of Directors analyses the received dossiers and approves the related-party transaction, upon the reasoned favourable opinion of the Control and Risk Committee on the company's interest in completing the transaction, as well as on the suitability and essential correctness of the related conditions (i.e. the opinion of the Control and Risks Committee is of a binding nature).

Pursuant to Article 11 of the Regulation, in the event of a negative opinion expressed by the Control and Risk Committee, the Board of Directors has the right to refer the resolution to the Shareholders' Meeting. In cases where a proposal for a resolution to be submitted to the Shareholders' Meeting is approved in the presence of a contrary opinion of the Control and Risk Committee, the transaction of greater importance may not be carried out if the unrelated Shareholders present at the Meeting represent at least 5% of the share capital with voting rights and the majority of the voting unrelated Shareholders - therefore excluding any abstainers - vote against the transaction. The shareholders’ draft resolution specifies the above conditions for the effectiveness of the resolution.

If there are significant updates to be made to the information document, drawn up in accordance with Article 5 of the Regulation, the company will make available a new version of the document no later than the twenty-first day before the meeting.

Moreover, pursuant to Article 11 of the Regulation, in case of urgency related to company crisis situations, related-party transactions can be concluded in derogation of the provisions of this procedure provided that the body convening the Shareholders’ Meeting prepares a report that adequately justifies the reasons for the urgency. The Control and Risk Committee reports to the shareholders’ meeting its assessment on the existence of reasons of urgency.

6. Transparency

6.1 Public disclosure of related-party transactions

Related-party transactions of greater importance require, in addition to the provisions of the previous paragraph, the preparation by the Administration, Finance and Control Department, with external legal support if necessary, of an information document whose minimum contents are defined in Annex 4 of the Regulation, an extract of which is shown in Annex E of this procedure.

¹⁰ For the reasons underlying the choices outlined below, please refer to the paragraph “Smaller companies” In paragraph 2 – Definitions.

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The Board of Directors or the Shareholders' Meeting, depending on the competence, approves the information document at the same meeting during which the transaction is approved or, if it decides to present a contractual proposal from the moment the contract, preliminary or otherwise, is concluded under the applicable law. The information document, complete with any opinions of directors and, if involved, of experts, is made available at the Company's registered office and disclosed, in accordance with the law¹¹, within 7 days after approval.

At the same time, the Investor Relations Manager sends to Consob the information documents and opinions as per the law in force.

The publication of the document in question does not exempt the company from making any other communications, such as those required under Article 114 of the TUF. .

The company prepares the information document indicated above in the same manner as described above, even if, during the course of the financial year, it concludes, with the same related party or with parties related to both the latter and Sabaf, like transactions or transactions executing the same overall design that cumulatively amount to a transaction of greater importance based on the criteria established by Sabaf. In contrast with the requirement for the information document concerning an individual transaction, the information document concerning several transactions must be published within 15 days after approval of the transaction or after conclusion of the contract causing the relevance thresholds to be exceeded. It contains information, also on an aggregate basis for like transactions, for all the transactions concerned. If the transactions causing relevance thresholds to be exceeded are undertaken by Sabaf's subsidiaries, the information document is made available to the public within 15 days after the time when Sabaf S.p.A. receives news of approval of the transaction or of conclusion of the contract, which triggers the shift to the "greater importance" status.

If a related-party transaction is disclosed by means of a press release pursuant to Article 17 of Regulation (EU) no. 596/2014 (public disclosure of inside information), the latter contains, in addition to the other information to be disclosed pursuant to that provision, at least the following information:

- a) the description of the transaction;
- b) an indication that the counterparty to the transaction is a related party and a description of the nature of the correlation;
- c) the name or business name of the counterparty to the transaction;
- d) whether or not the transaction exceeds the relevance thresholds identified pursuant to Article 4, paragraph 1, letter a) of the Regulation, and an indication of whether or not an information document will be published subsequently pursuant to Article 5 of the Regulation;
- e) the procedure that has been or will be followed for the approval of the transaction and, in particular, if the company has availed itself of a case of exclusion envisaged by Articles 13 and 14 of the Regulation;
- (f) the approval, if any, of the transaction despite the contrary opinion of the independent directors.

In accordance with the terms set out above, Sabaf makes available to the public, enclosed with the information document or published on the company's website, any opinions issued by the independent directors and independent experts, as well as the opinions issued by experts qualified as independent, which may have been used by the board of directors. The essential elements of the opinions to be published are as follows:

- evidence, where appropriate, of the specific constraints in carrying out the assignment, the assumptions used and the conditions to which the opinion is subject;
- evidence of any critical issues raised by the experts in relation to the specific transaction;
- an indication of the assessment methods used by the experts to assess the fairness of the price;
- an indication of the relative importance attached to each of the assessment methods adopted for the purposes specified above;

¹¹ Art. 5, para. 3 of CONSOB resolution no. 17221/2010 "Regulations of Related-party transactions".

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- indication of the values resulting from each assessment method adopted;
- where a range of values is identified on the basis of the assessment methods used, an indication of the criteria used to determine the final value of the price;
- indication of the sources used to determine the relevant data to be processed;
- indication of the main parameters (or variables) taken as reference for the application of each method.

Transactions undertaken by subsidiaries

If the related-party transactions carried out directly by a Sabaf subsidiary fall within the category of transactions considered to be of greater importance (see above), it is the responsibility of the CEO of the subsidiary to formally inform the parent company in advance of the intention to start the transaction so that the latter can start the transparency procedures. Communication between the subsidiary and Sabaf S.p.A is the responsibility of the CFO.

6.2 Periodic disclosure obligations

Internal periodic information flows to the Board of Directors and Board of Statutory Auditors

On at least a quarterly basis, the Administration, Finance and Control Department submits to the Board of Directors and the Board of Statutory Auditors a summary of related-party transactions carried out during the period and falling within the cases of exclusion.

Information to be provided in the report on operations

The Board of Directors of the Company discloses, also by means of references to previously published documents, in the (annual and interim) report on operations:

- individual related-party transactions of greater importance carried out during the financial year/period;
- other individual related-party transactions completed in the period that, although not considered of greater importance, have had a significant effect on the financial position or results of the company;
- transactions disclosed in previous reports that have undergone changes or developments with a significant effect on the financial position or results of the company;

More specifically, for each of these transactions, the annual report must at least contain:

- where applicable, the description of the policies within which related-party transactions can be set, also as regards the strategy pursued by means of such transactions;
- the indication, for each transaction, also in the form of a table, of the following information: (i) name of the counterparty of the transaction; (ii) nature of the relationship with the related party; (iii) the subject matter of the transaction; (iv) transaction price; and (v) any other information that may be necessary for an understanding of the effects of the related-party transaction on the company's financial statements.

The interim report must instead contain at least:

- any change in related-party transactions described in the last annual report that had a "material effect" on the financial position or results of the company in the reporting period;
- the indication, for each transaction, also in the form of a table, of the following information: (i) name of the counterparty of the transaction; (ii) nature of the relationship with the related party; (iii) the subject matter of the transaction; (iv) transaction price; and (v) any other information that may be necessary for an understanding of the effects of the related-party transaction on the company's financial statements.

Information on transactions carried out with the dissenting opinion of the Control and Risk Committee

On a quarterly basis, at the end of each quarter of the financial year, the Administration, Finance and Control Department prepares a document summarising any related-party transactions concluded in the period in the

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presence of a negative opinion expressed by the Control and Risk Committee. For each of such transactions the document must indicate the

- counterparty;
- subject matter;
- price;
- reasons for which it was decided not to accept the Committee's opinion.

This document, validated by the Chief Executive Officer, is made available at the company's registered office and disclosed as required by law¹² within 15 days of its approval at the end of each quarter of the financial year.

7. Supervision by Board of Statutory Auditors

The Company's Board of Statutory Auditors oversees compliance of the procedures adopted with the principles indicated in the Regulation as well as their observance. The Board of Statutory Auditors reports on this in its periodic report to the Shareholders' Meeting.

8. Management of cases of conflict of interest

If related-party transactions submitted for evaluation by the Control and Risk 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.

9. Coordination with the body of corporate procedures

This document forms part of the body of procedures of Sabaf. As regards the regulation of the processes that intersect the one in question, reference should be made to the specific company documents. Specifically:

- the Corporate Governance Manual and related Operating Guidelines, as regards the membership, powers, tasks and responsibilities of Sabaf's Committees and Board of Directors;
- the Accounting Control Model, risk and control matrixes for the purposes of financial reporting and accounting administration procedures, as regards the roles, responsibilities, operating procedures and control systems relating to processes relevant for the purposes of Italian Law 262/2005;
- The Organisation, management and control Model, as regards the principles of control and conduct relevant for the purposes of Italian Legislative Decree 231/2001.

10. Storage

All documentation prepared is filed in the official records of the relevant body and kept in the Administration, Finance and Control Department.

11. Approval, updating and validity of the procedure

This procedure, for which the Control and Risk Committee expressed a favourable opinion, was adopted for the first time by the Board of Directors in the meeting of 9 November 2010 as amended and supplemented, and became operational as from 1 January 2011.

¹² Title II, Head I of CONSOB resolution no. 11971/99 concerning "Public Purchase Offers and Public Exchange Offers".

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It will be assessed at least every two years to identify any needs for revisions and updates arising from changes in the structure of the Company and Group, from the results of the supervisory activity carried out by the Board of Statutory Auditors and from any difficulties encountered as regards application. Responsibilities for the preparation, analysis, assessment and approval of this procedure in any case remain unchanged.

12. Dissemination of the procedure

This procedure is published on the Company's website www.sabafgroup.com, in the Investors/Corporate Governance section.

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Annexes

Annex A – Related-party declaration form

RELATED-PARTY DECLARATION FORM

Place and date

Messrs. SABAF S.p.A.
Via dei Carpini, 1
25035 Ospitaletto

For the attention of the CFO

Re: Related-party transactions

The undersigned _____, born in _____ on _____, tax code _____, resident in _____ at the address of _____, in his/her capacity as a Director/Statutory Auditor/Manager of the company _____, aware that failure to make a statement or making a false statement can result in all the consequences provided for by law, herewith – for the purposes of regulations concerning related-party transactions and after having fully understood the definitions shown in the explanatory letter delivered by Sabaf together with this Form - (*tick the appropriate box*)

DECLARES that his/her CLOSE RELATIVES are:

Last and first name	Place and date of birth	Tax code	Degree of kinship
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and that they control/jointly control/exercise significant influence in the companies/entities listed below:

Company	Registered office	Tax code	Degree of relationship
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He/she also declares that he/she controls/jointly controls/exercises significant influence in the companies/entities listed below:

Company	Registered office	Tax code	Degree of relationship
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Or:

DECLARES, fully aware of the definition of “related party” as well as of the definitions of close relative, control, joint control and significant influence, as indicated in the explanatory letter delivered by Sabaf together with this Form – that he/she:

- does not have any relevant close relatives pursuant to the regulations in question
- does not exercise control, joint control or significant influence over any company or entity.

The undersigned undertakes to notify the company promptly of any future change to the information provided herein.

This declaration is issued for the purposes of acquiring the information required to comply with the regulations concerning related-party transactions, is confidential and will be treated in accordance with Italian Legislative Decree 196/2003.

In witness thereof,

Place and date

Signature

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Annex B - Explanatory annex to the Related-Party Declaration Form

Place and date

Messrs. [enter addressee]

Re: Completion of the Related-Party Declaration Form

Dear _____,

As it does every year, Sabaf S.p.A., in compliance with its internal procedures, carries out this census of its related parties. This year, as is usual, in accordance with the “Procedure regulating related-party transactions” adopted by Sabaf S.p.A., implementing Consob resolution no. 17221, we remind you of the importance of correct and accurate completion of the Form to which this letter is attached.

We hope that, for this purpose, you will appreciate the brief glossary shown below, which will help you to fill in the form.

RELATED PARTY - A party is a related party of Sabaf if he/she/it:

- (a) directly or indirectly, even through subsidiaries, a trust or by proxy:
 - (i) controls Sabaf, is controlled by it, or is under common control;
 - (ii) holds an equity investment in Sabaf in such a way as to exercise significant influence over it;
 - (iii) controls Sabaf jointly with other parties;
- (b) is an associated company of Sabaf;
- (c) is a joint venture in which Sabaf is a participant;
- (d) is one of the executives with strategic responsibilities of Sabaf;
- (e) is a close relative of one of the parties indicated in (a) or (d);
- (f) is an entity over which one of the parties indicated in (d) or (e) exercises control, joint control or significant influence or holds, directly or indirectly a significant share, in any case not less than 20%, of voting rights;
- (g) is an Italian or foreign, collective or individual supplementary pension fund, set up for Sabaf's employees, or any other related entity.

CLOSE RELATIVES - A party's “close relatives” are considered to be those members of his/her family expected to be able to influence or be influenced by the party concerned in their dealings with the company. They may include:

- (a) the spouse not legally separated and the common-law spouse;
- (b) children and dependants of the party, of the spouse who is not legally separated or of the common-law spouse.

CONTROL AND JOINT CONTROL - Control is the power to determine the financial and management policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when a party owns, either directly or indirectly via its subsidiaries, more than half of the voting rights of an entity unless, in exceptional cases, it can be clearly demonstrated that such possession does not constitute control. Control also exists when a party owns half, or less than half, of voting rights exercisable at shareholders' meetings if the party has:

- (a) control over more than half of voting rights by virtue of an agreement with other investors;
- (b) the power to govern the entity's financial and operating policies by virtue of articles of association or an agreement;
- (c) the power to appoint or remove the majority of the members of the Board of Directors or of the entity's equivalent governing body, and control of the entity is vested in that board or body;

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(d) the power to cast the majority of votes at meetings of the Board of Directors or of the entity's equivalent governing body, and control of the entity is vested in that board or body.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the unanimous consent of all parties sharing control is required for decisions relating to the relevant activities.

SIGNIFICANT INFLUENCE is the power to participate in the financial and operating policy decisions of an entity without having control or joint control over it. Significant influence can be obtained through share ownership, clauses in the articles of association or agreements.

If 20% or more of the voting rights in the shareholders' meeting of the investee is directly or indirectly held by the party (for example through subsidiary companies), a significant influence is presumed to exist unless it can be demonstrated to the contrary. On the other hand, if less than 20% of the voting rights in the shareholders' meeting of the investee is directly or indirectly held by the party (for example through subsidiary companies), a significant influence of the investor is not presumed to exist unless such influence can be clearly demonstrated. The presence of a party holding an absolute or relative majority of the voting rights does not necessarily preclude another party from having significant influence.

The existence of significant influence is typically indicated by the occurrence of one or more of the following circumstances:

- (a) the representation of the investee in the Board of Directors or equivalent body;
- (b) the participation in the decision-making process, including participation in decisions concerning dividends or other types of profit distribution;
- (c) the presence of significant transactions between the investor and the investee;
- (d) interchange of managerial personnel;
- (e) the provision of essential technical information.

Thank you very much for your cooperation. We take this opportunity of informing you that the Procedure for related-party transactions adopted by Sabaf is available on the company's website, www.sabaf.it, in the Investor Relations/Corporate Governance section.

Yours sincerely,

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Annex C – Calendar for recurring obligations

TYPE	ACTIVITY	PERSON IN CHARGE	TIMING
PRELIMINARY ACTIVITIES FOR THE MANAGEMENT OF RELATED-PARTY TRANSACTIONS	Verification and confirmation of the Smaller Companies requirement of Sabaf Spa	CFO	Annual and for the approval of the financial statements
MANAGEMENT OF RELATED-PARTY TRANSACTIONS	Periodic census of related parties, updating and dissemination of list	CFO	January of each year and continuously throughout the year.
PERIODIC DISCLOSURE OBLIGATIONS	Preparation, for the Board of Directors and the Board of Statutory Auditors, of a summary statement of related-party transactions carried out during the period, falling within the cases of exclusion	CFO	Quarterly, for the meetings to approve quarterly and half-yearly consolidated financial statements (February, May, August and November, of each year)
PERIODIC DISCLOSURE OBLIGATIONS	Inclusion in the management report of information concerning related-party transactions carried out in the period	Administration, Finance and Control Department	Half-yearly, for the meetings to approve quarterly and half-yearly consolidated financial statements (March and August of each year)
PERIODIC DISCLOSURE OBLIGATIONS	Preparation of a document of related-party transactions carried out with the dissenting opinion of the Control and Risk Committee.	Administration, Finance and Control Department	Quarterly, for the meetings to approve quarterly and half-yearly consolidated financial statements (February, May, August and November, of each year)
SUPERVISION BY BOARD OF STATUTORY AUDITORS	Performance of supervision and reporting on this to the Shareholders' Meeting	Board of Statutory Auditors	Annually, at the time of the meeting to approval the draft consolidated annual financial report (April of each year)
UPDATING OF THE PROCEDURE	Analysing the need for updates, changes or additions	Company	Every two years or more frequently

Annex D - Identification of transactions of greater importance with related parties

Transactions of greater importance are defined as related-party transactions in which at least one of the following relevance ratios, applicable depending on the specific transaction, exceeds the 5% threshold:

Equivalent-value relevance ratio: the ratio between the value of the transaction and the shareholders' equity taken from the company's most recently published consolidated balance sheet or, for listed companies, if greater, the capitalisation of the company recorded at the end of the last trading day included in the reporting period of the last financial report published (annual financial report or half-yearly report or additional periodic financial information).

If the economic conditions of the transaction are determined, the value of the transaction is:

- i) for cash components, the amount paid to/by the contractual counterparty;
- ii) for components consisting of financial instruments, the fair value measured, on the date of the transaction, in compliance with the international accounting standards adopted with Regulation (EC) no. 1606/2002;
- iii) for loan transactions or granting of guarantees, the maximum amount payable.

If the economic conditions of the transaction depend totally or partially on quantities not yet known, the value of the transaction is the maximum amount receivable or payable pursuant to the agreement.

b) Asset relevance ratio: the ratio between the total assets of the entity subject matter of the transaction and the total assets of the company. The figures to be used must be obtained from the most recent consolidated balance sheet published by the company; where possible, similar figures must be used for calculating the total assets of the entity subject matter of the transaction.

For acquisition and transfer transactions of equity investments in companies that affect the scope of consolidation, the value of the numerator is the total assets of the investee, regardless of the percentage of capital to be disposed of.

For acquisition and transfer transactions of equity investments in companies that do not affect the scope of consolidation, the value of the numerator is:

- i) in case of acquisitions, the value of the transaction increased by the liabilities of the acquired company, where necessary, covered by the purchaser;
- ii) in case of transfers, the consideration of the transferred asset.

For acquisition and transfer transactions of other assets (other than the acquisition of an equity investment), the value of the numerator is:

- i) in case of acquisitions, the price or the book value that will be assigned to the asset, whichever higher;
- ii) in case of transfers, the book value of the asset.

c) Liability relevance ratio: the ratio between total liabilities of the entity acquired and the total assets of the company. The figures to be used must be obtained from the most recent consolidated balance sheet published by the company; where possible, similar figures must be used for calculating the total liabilities of the company or business unit acquired.

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In the event of an aggregation of several transactions, the Company determines the relevance of each transaction on the basis of the ratio or ratios referred to above. To check whether the thresholds are exceeded, the results for each ratio are then added together.

If a transaction or several transactions are identified as "of greater importance" according to the above ratios and this result appears manifestly unjustified in view of specific circumstances, it is possible to request from Consob alternative methods to be followed in calculating the above ratios. The communication to Consob must contain the essential characteristics of the transaction and the specific circumstances on which the request is based prior to the conclusion of negotiations.

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Annex E - Information document concerning transactions of greater importance with related parties

If the Company enters into transactions of greater importance with related parties, the information document must contain at least the following information:

- the risks related to potential conflicts of interest arising from the related-party transaction described;
- description of the characteristics, methods, terms and conditions of the transaction;
- an indication of the related parties involved in the transaction, the nature of the relationship and, where this is disclosed to the board of directors, the nature and extent of those parties' interests in the transaction;
- indication of the economic reasons and advantage for the company of the transaction. If the transaction has been approved in the presence of a contrary opinion of the directors or of the independent directors, an analytical and adequate justification why it was deemed suitable not to share that opinion;
- method of calculation of the price for the transaction and assessment of its fairness with respect to the market values of similar transactions. Indication of whether there are any independent expert opinions supporting the fairness of this price and their conclusions, stating:
 - the bodies or parties that commissioned the opinions and appointed the experts;
 - the assessments made to select the independent experts and the checks on their independence. In particular, indicate any economic and financial relations between the independent experts and: (i) the related party, its subsidiaries, its controlling entities, companies under common control and the directors of those companies; (ii) the company, its subsidiaries, its controlling entities, companies under common control and the directors of the aforementioned companies, taken into consideration for the purpose of qualifying the expert as independent and the reasons why such relationships were considered irrelevant for the purpose of the opinion on independence. Information on any reports can be provided by attaching a statement from the independent experts themselves;
 - the terms and subject matter of the mandate given to the experts;
 - the names of the experts responsible for assessing the fairness of the price.
- an illustration of the economic and financial effects of the transaction, providing at least the applicable relevance ratios;
- if the amount of the remuneration of the members of the board of directors of the company and/or of companies controlled by it is intended to change as a result of the transaction, details of the changes. If no changes are envisaged, insert, however, a statement to that effect;
- in the case of transactions in which the related parties involved are members of the Board of Directors and Board of Statutory Auditors, general managers and managers of the issuer, information relating to the financial instruments of the issuer itself held by the parties identified above and the interests of the latter in extraordinary transactions, as envisaged by paragraphs 14.2 and 17.2 of Annex I to Regulation No. 809/2004/EC;
- Indication of the bodies or directors who carried out or participated in the negotiations and/or prepared and/or approved the transaction, specifying their respective roles, with special attention to the independent directors, if any. With reference to the resolutions approving the transaction, specify the names of those who voted for or against the transaction, or abstained, specifying in detail the reasons for any dissent or abstention. Indicate that, pursuant to Article 5 of the Issuers' Regulation, any opinions of the independent directors are attached to the information document or published on the company's website;
- if the importance of the transaction derives from the aggregation of several transactions carried out during the year with the same related party, or with parties related both to the latter and to the

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Company, the information indicated in the previous points must be provided with reference to all the above transactions.

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